



SONIC
HEALTHCARE
Quality is in our DNA

Concise Annual Report 2013



Corporate Directory

Directors

Mr R.P. Campbell, *Chairman*
Dr C.S. Goldschmidt, *Managing Director*
Mr C.D. Wilks, *Finance Director*
Dr P.J. Dubois
Mr C.J. Jackson
Mr L.J. Panaccio
Ms K.D. Spargo
Dr E.J. Wilson

Company Secretary

Mr P.J. Alexander

Principal registered office in Australia

14 Giffnock Avenue, Macquarie Park,
New South Wales, 2113, Australia.
Ph: 61 2 9855 5444
Fax: 61 2 9878 5066
Website: www.sonichealthcare.com

Share registry

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street, Adelaide,
South Australia, 5000, Australia.
Ph: 1300 556 161 (Within Australia)
Ph: 61 3 9415 4000 (Outside Australia)
Fax: 1300 534 987 (Within Australia)
Fax: 61 3 9473 2408 (Outside Australia)
Website: www.computershare.com
Email: www.investorcentre.com/contact

Auditor

PricewaterhouseCoopers

Solicitors

Allens
Baker & McKenzie
Clayton Utz

Bankers

Australia and New Zealand Banking Group Limited
Barclays Bank PLC
Citibank, N.A.
Commonwealth Bank of Australia
JPMorgan Chase Bank, N.A.
Lloyds TSB Bank plc
Macquarie Bank Limited
Mizuho Corporate Bank, Ltd
National Australia Bank Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland plc
Westpac Banking Corporation

Stock exchange listings

Sonic Healthcare Limited (SHL)
shares are listed on the Australian
Securities Exchange.



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Shareholders' Information



Chairman's Letter

**My fellow shareholders,
Your Company has once again reported a record net profit and we are delighted to have rewarded shareholders with a significantly higher final dividend of 37 cents per share. Total dividends for the year increased 5% on 2012.**

Sonic has a strong and stable financial record and outlook, characterised by consistent revenue and earnings growth, a reliable dividend stream, and a solid balance sheet. Our market leading positions in pathology in Australia, the USA, Germany, Belgium, Switzerland, the UK/Ireland and New Zealand, and in diagnostic imaging, medical centres and occupational health in Australia, not only offer significant growth opportunities, but also mitigate the risk of regulatory change in any particular market.

Our strategy in our offshore expansion is to lead the consolidation of fragmented pathology markets, just as we have done with great success in Australia. We have taken significant steps down this path, especially in Germany and the USA, and are very focussed on growing the returns on the investments we have made in these markets, even as we continue the consolidation.

Sonic provides essential services to the communities in which we operate. Through our networks of hundreds of laboratories, thousands of collection

centres and thousands of courier runs, with the involvement and oversight of hundreds of specialist clinical and anatomical pathologists and thousands of scientific staff, we provide pathology services of the highest quality, efficiently and cost effectively. Our hundred radiology clinics, involving almost two hundred radiologists and one thousand scientific staff, and our more than two hundred primary care medical centres with over sixteen hundred General Practitioners, are also important, cost effective components in the Australian healthcare system.

One of Sonic's greatest attributes is its strong and unique culture. One element of that culture is "Company Conscience", as described in Sonic's "Foundation Principles" (detailed elsewhere in this Annual Report). In short, this is recognition of the importance for the Company and its people to contribute positively to the community other than just by providing highest quality diagnostic services. This is achieved in a number of ways, including charitable initiatives such as our ongoing support of the HEAL Africa Hospital,

by providing satisfying employment for over 26,000 people, by taking leadership and educational roles in our industries, by acting ethically at all times, and by adhering to our Environmental Policy, the core philosophy of which is that we all have a duty to the community to continuously improve in minimising negative impacts on our surroundings.

I am pleased to be able to conclude that your Company is in a very sound shape, with leading market positions, strong financial performance, and experienced and dedicated management. Sonic is poised to deliver increasing shareholder value in the years ahead, as well as adding value to the broader community. I trust you share my pride in the achievements of the Company and I thank you for your continued support.



Peter Campbell, Chairman





CEO Report

Sonic Healthcare has continued its long track record of consistent revenue and earnings growth in 2013. Once again we have reported a record net profit, up 7% on the prior year on a Constant Currency basis. Revenue was also at a record level, 5% higher than 2012 on a Constant Currency basis. The Company is strong and stable, and well positioned for future revenue and profit growth in attractive healthcare markets.

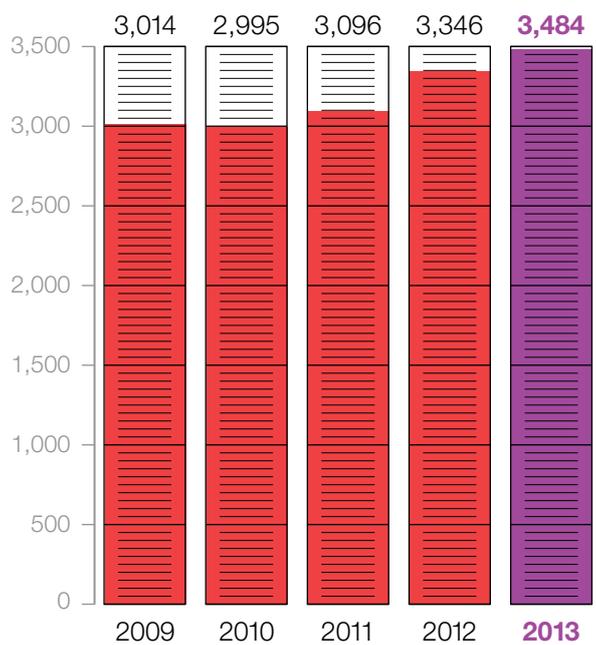
The global demand for medical diagnostic services continues to increase as a result of growing and ageing populations, the development of new, less invasive and more efficacious tests, including the burgeoning field of genetic testing, and the increasing focus of societies and individuals on screening tests for early disease detection (preventative medicine). Sonic's leading market positions in eight countries across three continents will allow us to benefit from this strong growth in demand for our services long into the future.

This strong underlying volume growth puts pressure on healthcare funders, and as a result Sonic is sometimes subject to fee adjustments in particular markets. Unusually, during 2013 Sonic faced a "perfect storm" of fee adjustments in all three of its major pathology markets of Australia, Germany and the USA. Despite this challenge, our pathology operations in Australia, Germany, Belgium and Switzerland together grew margins by 40 basis points. This was an extremely pleasing achievement, the result of concerted efforts by our managers and staff to reduce costs and improve efficiencies. Whilst our UK/Ireland operations experienced margin dilution, this was due to significant increases in revenue from outsourcing contracts, which grew earnings albeit at lower margins.

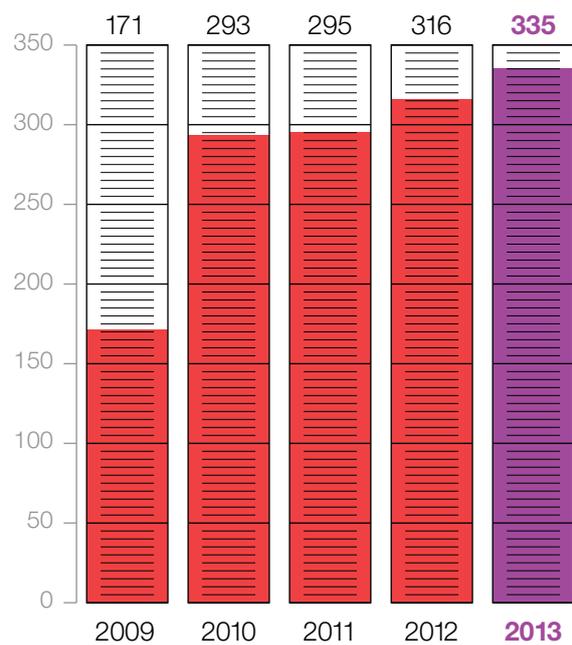
In the USA our operations were not only impacted by Medicare fee cuts, but also by the generally weak economic conditions, resulting in abnormally low

industry growth. Superstorm Sandy also had a one-off impact on growth rates. We are confident that growth will return to the US market as economic conditions improve, and this should be accelerated and enhanced by the millions of additional insured lives expected from calendar 2014 onwards as a result of the "Obamacare" legislative changes. To address the current difficulties in the US market, a major operational exercise has been undertaken over the last six months to plan and commence execution of a US\$60 million "cost-out" initiative, Sonic's most aggressive such undertaking ever. The majority of these savings are already locked in, with US\$15 million of savings achieved in 2013, ramping up to \$50 million per annum in 2014, with the full US\$60 million to be in place for the 2015 year.

During periods of market revenue pressure, it is an advantage to be one of the largest, more efficient operators, preferably with diversified revenue streams. Fortunately, this is generally the case for Sonic – we are less impacted by adverse market changes than smaller, less efficient players. In general, market downturns drive further market consolidation, feeding into Sonic's core strategy of organic and acquisitional growth, with attendant synergy capture, economies of scale and marginal profitability. Sonic continues to maintain investment grade credit metrics and has sufficient funding available to take advantage of synergistic acquisition opportunities as they arise.



Gross Revenue \$M



Net Profit \$M



Sonic's growth prospects are further enhanced by our unique culture and values, which provide clear market differentiation in the setting of competition for new growth at organic, acquisition or contract levels. Increasingly, doctors, hospitals and healthcare funders recognise the value of Sonic's medical leadership philosophy and the Company's singular focus on providing the highest quality services to clinicians, patients and other customers.

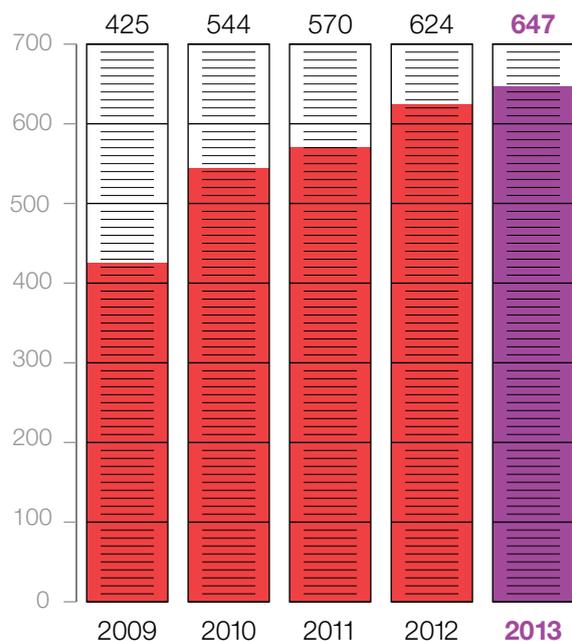
Sonic's Imaging division continued its recent trend of margin improvement, growing revenue organically by 5% and EBITDA by 9%.

IPN, which comprises Sonic's medical centre and occupational health businesses, also grew revenue and earnings, with 80 basis points of margin improvement. IPN continues to differentiate its medical centre business from its competitors through its medical leadership culture, which embraces clinical sovereignty and independence for the more than 1,600 general practitioners who work within the IPN network.

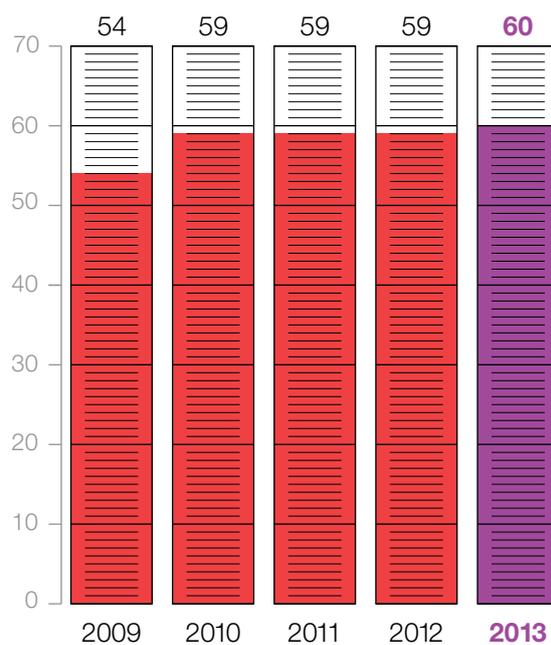
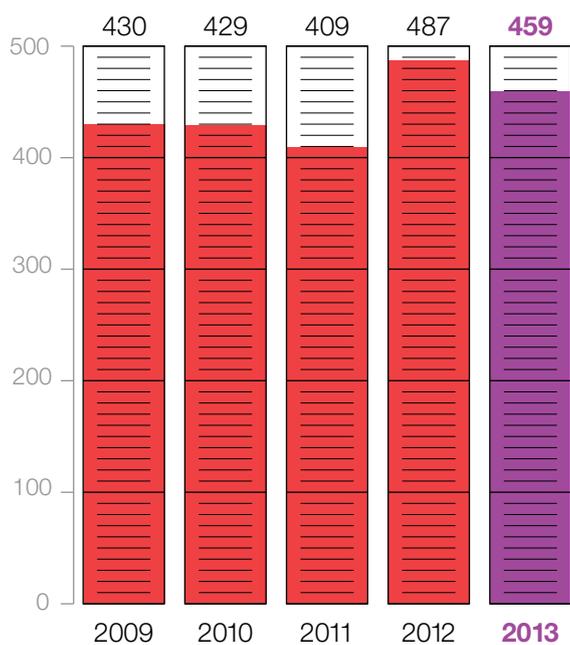
We expect ongoing revenue and profit growth in our businesses, and predict approximately 5% EBITDA growth in 2014 on a Constant Currency basis (applying 2013 average exchange rates to expected 2014 foreign currency earnings). Reported growth will be substantially higher if the Australian dollar remains at its current weaker levels against the USD and Euro.

The performance of our businesses is a tribute to the efforts of our managers, pathologists and radiologists. Our deeply embedded culture fosters passion in the organisation and also helps to make us an employer of choice, with very low turnover of staff, particularly at senior levels. I wish to thank all of our 26,000 employees for their ongoing dedication and for their contribution towards Sonic's success.

Dr Colin Goldschmidt, CEO and Managing Director



EBITDA \$M



Net Cash Flow from Operations \$M

Dividends Paid per Ordinary Share ¢



Company Conscience

Sonic Healthcare recognises the importance of corporate social responsibility, and considers this to be a basic principle of our Medical Leadership culture. Our commitment to social responsibility is encapsulated in the Sonic Healthcare Foundation Principles, which guide our businesses in their relationships with stakeholders, including customers, communities and staff.

Sonic's standing in relationship to social responsibility has been externally recognised by inclusion in the FTSE4Good Index series since March 2008. Sonic has been independently assessed according to the FTSE4Good criteria, and has satisfied globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalise on the benefits of responsible business practice.



FTSE4Good

Sonic Healthcare and its people demonstrate social responsibility by seeking to contribute positively to the community in many ways.

Sonic as a leader and educator

Sonic Healthcare provides vital healthcare services and infrastructure in eight countries, across three continents. Our market leadership positions provide the opportunity to help shape the healthcare systems in which we operate. We take active roles in industry associations, and we encourage our people to take leadership positions in colleges and other professional and craft organisations.

Sonic places great emphasis on supporting and providing teaching in our fields of pathology, radiology and general practice. We produce educational information and conduct seminars to share knowledge with our referring physicians, and we employ many preeminent, subspecialised pathologists and radiologists, who are encouraged to publish in medical journals and texts to share their unique knowledge and experiences. We provide vocational training positions for pathologists, radiologists and (through IPN) general practitioners, helping to ensure the future supply of these important medical practitioners in the community.

Sonic has many established links with university and educational institutes including, for example, University College London, with whom we have recently partnered in some of their major Technology Strategic Board grants as their commercial partner in medical diagnostics. Sonic's subsidiary Douglass Hanly Moir Pathology works in partnership with The University of Notre Dame's Medical School in Sydney to promote the training of medical students in pathology and basic science. This is the only arrangement of its type in Australia, where a private laboratory acts as the pathology faculty for a medical school (all other medical schools use public hospital laboratories). Sonic's pathologists hold professorial positions with the university, and plan and deliver the pathology curriculum, and Notre Dame students visit Sonic's Sydney laboratory for on-site training. Sonic helped establish the James Cook

FOUNDATION PRINCIPLES



Our Values

Commit to Service Excellence

To willingly serve all those with whom we deal; with unsurpassed excellence.

Treat each other with Respect & Honesty

To grow a workplace where trust, team spirit, and equity are an integral part of everything we do.

Demonstrate Responsibility & Accountability

To set an example, to take ownership of each situation to the best of our ability, and to seek help when needed.

Be Enthusiastic about Continuous Improvement

To never be complacent, to recognise limitations and opportunities for ourselves and processes; and to learn through these.

Maintain Confidentiality

To keep all information pertaining to patients, as well as professional and commercial issues, in strict confidence.



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University School of radiography and our radiologists lecture students in both the medical and radiography program. Sonic also provides direct financial sponsorship for a number of academic institutions.

Many of our operations are registered training organisations, offering courses for technical staff and in pathology collection. Our Queensland radiology practice is an approved training site for nuclear medicine registrars and for advanced training in positron emission tomography (PET).

As part of our strong commitment to continuous professional development, Sonic has established its own Sonic Pathologist Academic Meeting and its own Sonic Imaging Conference in Australia. These regular conferences attract hundreds of Sonic registrants per meeting. They feature international and national guest speakers and are recognised as premier events of their kind in Australia.

Sonic's medical leadership culture, and our levels of quality and service, have raised the bar for other participants in our markets.

Sonic as an employer

Sonic provides employment for over 26,000 people in an environment of professionalism, ethical behaviour, non-discrimination, and reward based on merit. Sonic subsidiaries regularly win local business awards based on workforce diversity. We are considered an "employer of choice" in our markets

due to the respect we offer to individuals and to the medical profession as a whole, and believe that our employee turnover is lower than industry standards as a result, especially at more senior levels of staff. Our Core Values set out a unifying code of conduct for our people.

The philosophy of treating each other with respect and honesty is further encouraged by our Diversity Policy and our Code of Ethics.

We engage in a positive manner with unions and other employee representative groups, and have not experienced significant industrial action in our 26 year history. When achieving synergies from business acquisitions our approach generally is to rely on natural staff turnover to achieve savings over time, rather than wide scale redundancy programs. This is beneficial not only to staff, but to the business as it preserves staff morale, and therefore the goodwill we have acquired.

Sonic is committed to the safety and wellbeing of our staff, as reflected in our Workplace Health and Safety Policy. The nature of our industry, plus our staff training programs and management, mean that workforce injuries are negligible. Sonic's culture and policies prohibit staff accepting or offering bribes or any other type of "kick-back" arrangement.

Sonic helping others

Sonic Healthcare and its staff support many charities, especially those where we can be directly involved in delivering a positive outcome.

Our major company-wide initiative is our ongoing support of the HEAL Africa Hospital, located in Goma in the Democratic Republic of the Congo. Sonic has been supporting the pathology laboratory of the hospital for the past six years and in more recent years, the diagnostic imaging department as well. During that time we have achieved a number of milestones, the most significant of which have been:

- Assistance in planning, equipping and constructing a new laboratory facility which has many of the features of a modern laboratory in Australia – including hand washing facilities, modern laboratory bench design, staff area and room for separate departments.
- The re-equipping of the Biochemistry, Microbiology and Haematology departments with new instrumentation, using low tech analysers which are sustainable in the maintenance environment of the Congo, and the onsite training of the staff in the use and maintenance of these machines. An important addition in 2013 was Sonic's donation of a new Becton Dickinson FACS analyser – this analyser is used for diagnosing and monitoring HIV positive patients. It is quick, easy to operate, accurate and extremely reliable under the difficult conditions faced by the laboratory.

The patients benefiting from this new analyser are predominantly children as HEAL operates one of the largest HIV Positive children's programs in central Africa with over 1,000 children enrolled

and over 700 receiving antiretroviral (ARV) treatment. This program is funded by the Clinton Foundation and Global Strategies for the Prevention of HIV. Sonic has not only become a partner with these groups in the diagnosis of this terrible disease but has also, through generous donations of clothing from Sonic staff across Australia, been able to provide clothing, school equipment and other basics to the families of these children. Many of these children are being cared for by grandparents, other relatives or even neighbours as their parents in many cases have already succumbed to HIV.

- We are currently assembling equipment to fit out a new Histopathology department within the main laboratory. This department has long been one desired by the hospital as there are currently no histopathology services in or around Goma, while often the surgeons at the hospital have to deal with significant tumours without the ability to determine whether or not these abnormalities are malignant or benign. The hospital appointed Medical Director of the laboratory is in his final year of training as a Pathologist (sponsored entirely by Sonic) and will return to the laboratory in 2014 to take up this role full time. Sonic has also provided scholarships to two scientists from the laboratory to travel to Kigali in Rwanda and train in Histopathology for 6 months in preparation for the establishment of this new department.
- The continuing support of the Imaging department in the form of training and organising equipment donations. We are contributing towards the training in Uganda of the new radiologist for the hospital, who was selected and mentored by one of Sonic's radiologists from Queensland X-Ray. Our continued support of the Imaging department in the hospital has contributed towards it being one of the best in North Kivu. A scholarship has also been given to the Hospital Administrator to complete his Masters in Hospital Administration at the Dar es Salaam University.
- Sonic continues to send at least one large shipping container each year (negotiating the many obstacles present in delivering valuable cargo into the Congo) full of essential supplies for the hospital and the 91 rural health centres it supports throughout North Kivu. These goods include disposable

products (gloves, drapes, dressing packs etc.), surgical equipment, beds, theatre tables, physiotherapy equipment and disposables, school supplies (for the two schools the hospital operates), clothing, footwear, children's sports equipment, laboratory disposables, reagent, laboratory equipment, computer equipment and goods donated by third parties.

- The staff of IPN have initiated a program where they can make tax deductible donations to any one of six programs operated by HEAL in North Kivu via the Worldshare website. These donations go towards the Safe Motherhood project, HIV Kids, Fistula repair, Orthopaedic programs, schools and the Mercy Fund.
- Education and encouragement regarding safety, including the supply of sharps containers and biohazard bins in conjunction with the supply of a low tech/high temperature biological incinerator.
- Initiation of a number of non-medical projects such as the Mosquito Net project (where Sonic supplies netting and Pyrethrum to treat the nets, which are made by a group of women at the hospital and sold to UN agencies, giving them an income stream), the refurbishment of the Paediatric ward and donations of solar power generators to Magunga School.

Sonic staff continue to travel to Goma at regular intervals to assist the hospital provide services in one of the world's most disadvantaged areas. Sonic and its staff can well be proud of the support that we have provided to this worthwhile cause which has helped to establish this hospital as one of the most well regarded within the Democratic Republic of Congo.

More information about our involvement with the Heal Africa Hospital can be found on our website at: www.sonichealthcare.com/about-us/heal-africa-project-reports.aspx

Other examples of the many charitable activities of Sonic and its staff include:

- Sunrise Medical Laboratories (Sonic's Long Island New York based subsidiary) participated in a volunteer effort called LIVE (Long Island Volunteer Enterprise) which matches companies with non-profits

in the community to help them with a volunteer project. A dozen Sunrise staff members recently helped out at the Long Island County Fair.

- Sonic's Northeast Division in the USA is offering assistance for the second year in a row to the charity "Helping Children Worldwide" in support of their work in Sierra Leone, Africa to provide obstetrical, gynecological, and cancer screening services to the women of this region. The goal is to provide evaluations for 325 patients. Sonic will provide the supplies necessary to collect, store, and transport the specimens to the laboratory, in addition to the requisitions and labels for all specimens. Upon receipt of the specimens to the laboratory the testing will be performed and diagnoses provided. In addition Sonic Healthcare USA has agreed to provide a scholarship for the two year Laboratory Technician training program and expenses for a local volunteer to improve laboratory services in the area.
- For almost 20 years, Sonic's Schotttdorf laboratory in Germany has been coordinating and matching annual donations by staff to the Children's Cancer Centre at Schwabing Hospital, Munich, to make the lives of their young patients a little brighter. A similar project supports the Children's Cancer Centre of Augsburg Clinical Centre.
- Sonic businesses support their local Red Cross by facilitating on-site blood donations.
- Staff of American Esoteric Laboratories (Sonic's Memphis, Tennessee based subsidiary) collected and donated over 445 pounds of non-perishable food and household items to the Memphis Food Bank.
- Sonic Germany sponsors an award provided to scientific talent by the German Society for Clinical Chemistry and Laboratory Medicine (DGKL). This society has been awarding the well-renowned "Ivar-Trautshold-Young-Talent-Award" since 1991, to young academics for exceptional achievements in scientific research.
- Sonic Germany is sponsoring the 2013 Berlin and Bonn concerts of the World Doctor's Orchestra. The proceeds from the concerts will go to two non-profit medical aid organisations.
- Staff from Sonic's Southwest Division (Clinical Pathology Laboratories) in

the USA coordinate activities each month for military, special groups and special needs guests through the Horses4Heroes program at the ranch of a team member. Several veterans' groups, Big Brothers and Big Sisters and others enjoy horseback riding, games and meals hosted by members of the Southwest team.

- Sonic's Hamburg laboratory, GLP Medical has decided not to send Christmas cards to referrers and business partners but to donate the money saved to local Hamburg hospices. GLP informed regular recipients of the Christmas cards about the project in 2012 and received overwhelmingly positive feedback. The project will be repeated in 2013.
- Sonic's CBLPath annually participates in the "Making Strides Against Breast Cancer Walk" sponsored by the American Cancer Society. The CBL Striders had 15 team members walking on the day.

Sonic and the environment

Under Sonic Healthcare's Environmental Policy, our people seek to minimise the negative impacts our businesses may have on their surroundings. Whilst the nature of our industry is such that we are not a significant polluter or energy consumer, our philosophy is that we all have a duty to the community to continuously improve in this area.

Sonic is required to report the following data under the Australian National Greenhouse and Energy Reporting Act 2007 (2013 data is not yet available):

Greenhouse gas emissions (tonnes CO₂-e)

	2011	2012
Scope 1	6,646	8,114
Scope 2	55,328	54,683
Energy Consumed (GJ)	325,907	348,238

Examples of initiatives around the Company to minimise our environmental impact include:

- Sonic is a participating member of eTree, an environmental scheme encouraging security holders to register to access all their communications

electronically. For every email address registered or updated at www.eTree.com.au/sonichealthcare, a donation is made to Landcare Australia. With shareholder support of the eTree project and other electronic communication channels, Sonic Healthcare has significantly decreased its shareholder communication print production. Only about 5% of Sonic's shareholders still request a hard copy Annual Report, and over 26% of shareholders receive communications electronically. The result is a reduction in energy and water resources associated with paper production, and in conjunction with Landcare Australia, thousands of new trees being planted in reforestation projects around Australia and New Zealand.

- The building which houses Sonic's corporate headquarters and our largest laboratory in Australia was designed to achieve a 4-4.5 star Australian Building Greenhouse Rating, with features to save power consumption, harvest rainwater and filter waste water. Similar consideration has gone into all other Sonic laboratory building projects in recent years.
- The construction and commissioning of Sonic's first commercial-scale solar power systems was completed in August 2013 at 14 Giffnock Avenue and Epping Road, Macquarie Park. The combined power capacity is 196kW. Each site uses the latest high efficiency technologies including 400 solar panels, transformerless European solar inverters equipped with maximum powerpoint tracking, and real-time internet-enabled system monitoring and logging. The systems are expected to generate in excess of 250,000kWh annually of clean energy, reducing greenhouse gas emissions by an average 175,000 tonnes equivalent of CO₂ annually. Over the 25 year operational life this amounts to 4,400,000 tonnes of CO₂ equivalent abatement.
- Sunrise Medical Laboratories has teamed with Guzu Inc. for the disposal of electronic waste. For every 100 pounds of eWaste, Guzu will plant a tree. In 2012, Guzu planted 80 trees in Sunrise's name. So far in 2013, 52 trees have been planted.
- Physician's Automated Laboratory,

Inc (Sonic's Bakersfield California based subsidiary) established an Employer Trip Reduction Implementation Plan (eTRIP) to encourage employees to reduce single-occupancy vehicle trips, thus reducing pollutant emissions associated with work commutes. Employees carpool, use alternative transportation (bus/bike), and/or take advantage of a ride home service.

- GLP Medical have developed and installed a technical solution for seven major analysers in the Hamburg based laboratory to manage the hot air generated. In summer, the hot air is diverted outside, reducing the necessity to actively cool air within the laboratory. During winter the hot air is used by the heating system, reducing the energy required to heat the building.
- Trialling hybrid and other low environmental impact vehicles for our courier fleets, and training drivers to use less fuel.
- Ongoing campaigns to reduce waste and increase recycling, including providing education and recycling facilities. In Australia and New Zealand, a "Waste Watch Committee" seeks to share "best practice" regarding cost effective, environmentally responsible waste management.

Medical waste is often identified as a potential environmental hazard resulting from our businesses. In reality this issue is managed in a safe and straight forward manner by contracting with reputable, licensed businesses that specialise in the field to collect and dispose of our waste. Our handling of waste is subject to regular review by external parties as part of our laboratory accreditation processes. In its 26 year history, Sonic is not aware of a single issue of note arising in relation to medical waste.

Sonic does not undertake animal testing, other than veterinary pathology (which tests for the health of the animal) in some markets. When purchasing equipment, Sonic formally assesses water usage, power requirements and consumables packaging; and when choosing significant suppliers a formal assessment is made of their environmental policies and credentials.

Financial History

As at 30 June	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Revenue	3,484,073	3,345,616	3,096,379	2,994,633	3,013,731
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	646,819	624,129	570,095	543,857	425,125
Net profit after tax ¹	334,998	315,996	294,535	293,225	171,360
Net cash flow from operations	459,459	486,758	409,019	429,497	429,952
Total assets	5,518,226	4,928,805	4,712,897	4,863,725	4,761,246
Total liabilities	2,600,125	2,318,606	2,196,462	2,304,984	2,229,163
Net assets	2,918,101	2,610,199	2,516,435	2,558,741	2,532,083
Net interest bearing debt	1,738,848	1,571,081	1,535,626	1,501,091	1,198,335
Statistics					
Diluted earnings per share (cents) ¹	84.3	80.7	75.5	75.0	46.3
Dividends paid per ordinary share (cents)	60.0	59.0	59.0	59.0	54.0
Dividend payout ratio ¹	70.6%	72.8%	77.8%	78.2%	111.8%
Gearing ratio ²	37.3%	37.6%	37.9%	37.0%	32.1%
Interest cover (times) ²	8.6	7.0	7.4	9.4	6.5
Debt cover (times) ²	2.4	2.5	2.8	2.6	2.2
Net tangible asset backing per share (\$)	(2.51)	(2.40)	(2.30)	(2.34)	(1.72)
Return on invested capital ¹	8.9%	9.8%	8.9%	9.4%	6.9%
Return on equity ¹	12.1%	12.3%	11.6%	11.5%	7.6%

¹ After non-recurring items in 2009

² Calculated using bank debt facility covenant definitions

Note that reported earnings and earnings growth were significantly impacted by the strengthening Australian dollar during the years 2009 to 2013, reducing the translated earnings of the Group's offshore operations. Return on invested capital (ROIC) in 2013 has been negatively impacted by the difference between average exchange rates applied to earnings (return) for the year, versus year end exchange rates applied to the invested capital. Adjusting for this impact 2013 ROIC would have been 9.3%.

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Sonic Healthcare Limited ABN 24 004 196 909

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E:0305

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M:1703 E:1705

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201

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MEM
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Directors' Report

Your Directors present their report on the Group consisting of Sonic Healthcare Limited and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Directors

The following persons were Directors of Sonic Healthcare Limited during the whole of the financial year and up to the date of this report:

Mr R.P. Campbell	<i>Chairman</i>
Dr C.S. Goldschmidt	<i>Managing Director</i>
Mr C.D. Wilks	<i>Finance Director</i>
Dr P.J. Dubois	
Mr C.J. Jackson	
Mr L.J. Panaccio	
Ms K.D. Spargo	
Dr E.J. Wilson	

Principal activities

During the year the principal continuing activities of the Group consisted of the provision of medical diagnostic services and the provision of administrative services and facilities to medical practitioners.

Dividends

Details of dividends in respect of the current year and previous financial year are as follows:

	2013 \$'000	2012 \$'000
Interim dividend paid on 21 March 2013 (2012: 22 March 2012)	99,039	93,593
Final dividend paid on 24 September 2013 (2012: 9 October 2012)	148,056	137,427
Total dividend for the year	247,095	231,020

On 19 August 2013, the Board declared a final dividend in respect of the year ended 30 June 2013 of 37 cents per ordinary share, 45% franked (at 30%), payable on 24 September 2013 with a record date of 4 September 2013. An interim dividend of 25 cents per ordinary share, 45% franked (at 30%), was paid on 21 March 2013. These dividends included no conduit foreign income.

A final dividend of 35 cents per ordinary share was paid on 9 October 2012 in respect of the year ended 30 June 2012, out of profits of that year as recommended by the Directors in last year's Directors' Report. The interim dividend in respect of the year ended 30 June 2012 was 24 cents per ordinary share, paid on 22 March 2012. These dividends included no conduit foreign income.

Dividend Reinvestment Plan ("DRP")

The Company's DRP operated for the 2012 final dividend. The DRP is currently suspended.

Operating and financial review

Operations

Sonic Healthcare is one of the world's leading global providers of medical diagnostic services. The Company provides highly specialised pathology laboratory and diagnostic imaging services to physicians, hospitals, community health services, and their patients. Sonic is the world's third largest provider of pathology (referred to in some markets as "laboratory medicine") services and was the first company to do so globally. Employing over 26,000 people, Sonic enjoys leading positions in the pathology markets of eight countries, being the largest private operator in Australia (28% more revenue than the closest competitor), Germany, and the UK/Ireland, the second largest in Belgium and New Zealand, the third largest in the USA and within the top 5 in Switzerland. In addition Sonic is the largest operator of medical centres and the largest occupational health provider in Australia, and the second largest participant in the Australian radiology market. These strong market positions allow us to leverage existing infrastructure to realise synergies and to grow earnings.

Pathology is the study and diagnosis of disease through examination of organs, tissues, cells and bodily fluids. It is a broadly defined and complex scientific field which seeks to understand the mechanisms of disease and abnormality of cells and tissues, as well as the body's means of responding to and repairing abnormalities. Pathology tests are an essential component in the delivery of modern healthcare services and are estimated to influence approximately 70% of healthcare decisions and 100% of cancer diagnoses. Pathology is a unique medical specialty, in that pathologists and laboratory technicians typically do not see patients directly, but rather serve as consultants to other physicians.

The clinical laboratory process is depicted below:



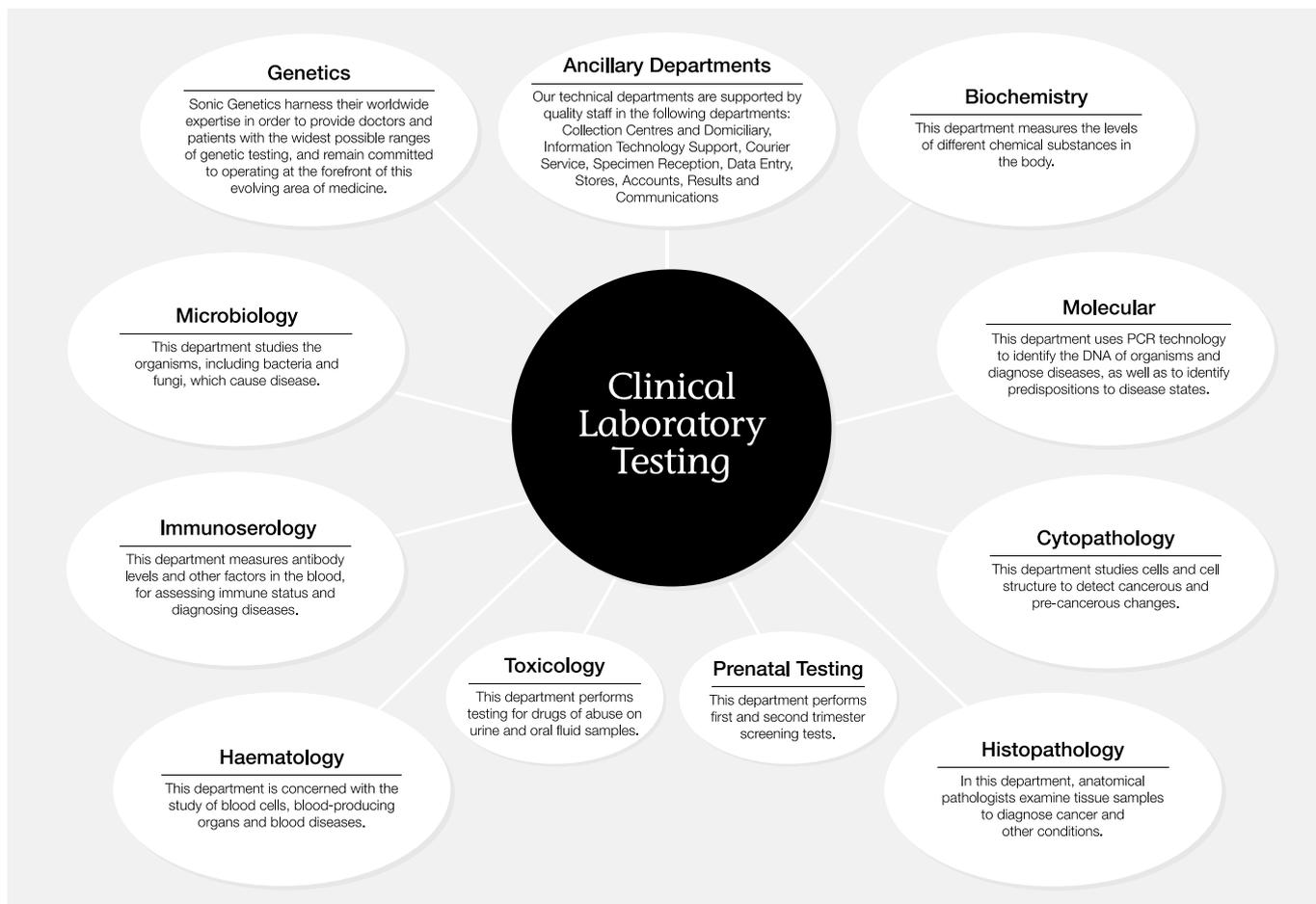
In most countries in which Sonic operates, laboratories offer specimen collection services, although referring physicians still do some collections themselves. In Australia, approximately 25% of specimens are collected by the referring physician. In Germany, Belgium and Switzerland laboratories generally do not offer collection services.

Directors' Report

Operating and financial review (continued)

Operations (continued)

Clinical laboratory tests generally fall into one of ten categories, or departments within a laboratory, as shown below:



Histopathology and cytopathology, which mainly involve the diagnosis of cancers, are often referred to as “anatomical pathology”, whereas the other testing areas are usually referred to as clinical laboratory testing. In some international markets such as Australia and New Zealand, it is usual for laboratories to conduct both anatomical pathology and clinical laboratory testing as part of the one service. In other markets, anatomical pathology can be seen as a separate service. Sonic therefore does not offer comprehensive anatomical pathology services in all markets, e.g. Germany, the UK and some regions within the USA.

Sonic's laboratories are today highly sophisticated, providing broad menus of complex tests, in addition to state-of-the-art automation for accurate and rapid turnaround of routine tests. Sonic offers a range of more than 3,000 different tests. Many of Sonic's large laboratories reach or exceed tertiary hospital laboratory standards and are recognised for their esoteric testing expertise, for example, in genetic and molecular testing.

Diagnostic imaging (including radiology) is the medical specialty of using medical imaging technologies to diagnose and treat diseases. The array of imaging technologies include general x-ray, bone densitometry, mammography, ultrasound, computed tomography (CT), nuclear medicine studies and magnetic resonance imaging (MRI). Diagnostic imaging also includes interventional radiology, the performance of medical procedures under the guidance of imaging technologies.

Most of Sonic's diagnostic imaging operations are within Australia, where Sonic is the second largest player in the market. Sonic has a small imaging operation in New Zealand.

In addition to pathology and diagnostic imaging, Sonic conducts a number of smaller complementary businesses (disclosed in the Other category in the Segment information note, along with corporate office costs). The most significant of these are the medical centre and occupational health businesses of Sonic's subsidiary Independent Practitioner Network (“IPN”), which involve more than two hundred primary care clinics across Australia providing facilities and administrative services to over sixteen hundred General Practitioners.

Directors' Report

Operating and financial review (continued)

Financial results

A summary of consolidated revenue and earnings is set out below:

	2013 Constant Currency* \$'000	2013 Statutory \$'000	2012 Statutory \$'000	% Change 2013 Constant Currency v 2012 Statutory	% Change 2013 Statutory v 2012 Statutory
Revenue	3,502,565	3,484,073	3,345,616	4.7%	4.1%
Earnings before interest, tax, depreciation and intangibles amortisation (EBITDA) pre acquisition and USA 'cost-out' implementation costs	657,511	652,080	627,656	4.8%	
Acquisition-related costs	(2,783)	(2,780)	(3,527)		
EBITDA pre USA 'cost-out' implementation costs	654,728	649,300	624,129	4.9%	
USA 'cost-out' implementation costs	(2,469)	(2,481)	-		
EBITDA	652,259	646,819	624,129	4.5%	
Depreciation and lease amortisation	(115,144)	(114,616)	(110,497)	4.2%	
Earnings before interest, tax and intangibles amortisation (EBITA)	537,115	532,203	513,632	4.6%	
Amortisation of intangibles	(26,522)	(26,399)	(21,557)	23.0%	
Net interest expense	(62,683)	(62,564)	(74,147)	(15.5)%	
Income tax attributable to operating profit	(104,727)	(103,572)	(100,243)	4.5%	
Net profit attributable to minority interests	(4,700)	(4,670)	(1,689)		
Net profit attributable to shareholders of Sonic Healthcare Limited	338,483	334,998	315,996	7.1%	6.0%
Cash generated from operations		459,459	486,758		(5.6)%

Earnings per share

Cents per share	2013 Constant Currency	2013 Statutory	2012 Statutory	% Change 2013 Constant Currency v 2012 Statutory	% Change 2013 Statutory v 2012 Statutory
Basic earnings per share	85.7¢	84.8¢	81.1¢	5.7%	4.6%
Diluted earnings per share	85.1¢	84.3¢	80.7¢	5.5%	4.5%

* For an explanation of "Constant Currency" refer to 2(a) on the following page.

Directors' Report

Operating and financial review (continued)

Financial results (continued)

1. Key highlights

- Record revenue and earnings results.
- EBITDA margins
 - Pathology margin ex-USA and UK up 40 basis points ("bps").
 - Imaging margin up 80 bps.
 - IPN margin up 80 bps.
- US\$60M p.a. cost-out initiative underway in USA.
- Total dividend payout up 5% to 62 cents per share.
- FY2014 guidance: approximately 5% EBITDA growth (Constant Currency).

2. Explanation of results

(a) Constant currency

As a result of Sonic's expanding operations outside of Australia, Sonic is increasingly exposed to currency exchange rate translation risk i.e. the risk that Sonic's offshore earnings and assets fluctuate when reported in AUD.

The average currency exchange rates for the year to 30 June 2013 for the Australian dollar ("A\$", "AUD" or "\$") versus the currencies of Sonic's offshore earnings varied from those in the comparative period, impacting Sonic's AUD reported earnings ("Statutory" earnings). The underlying earnings in foreign currency are not affected.

In addition to the statutory disclosures, consistent with the Company's normal practice, Sonic's results for the year have therefore also been presented on a "Constant Currency" basis (i.e. using the same exchange rates to convert the current period foreign earnings as applied in the comparative period, being the average rates for that period). This facilitates comparability of the Group's performance, by providing a view of the underlying business performance without distortion caused by exchange rate volatility, so that an assessment can be made of the growth in earnings in local currencies. Constant Currency reporting also allows comparison to the guidance Sonic provides to the market about its prospective earnings. Given the volatility of the AUD in recent years, Sonic is not comfortable to provide earnings guidance which requires forecasting of exchange rates. Sonic therefore provides earnings guidance on a Constant Currency basis, and then reports against that measure.

In preparing the Constant Currency reporting, the foreign currency elements of each line item in the Income Statement (including net interest expense and tax expense) are restated using the relevant prior period average exchange rate. There is only this one adjustment to each line item so no reconciliation is required. The Constant Currency information contained within this Directors' Report is not required to be audited in accordance with Australian Auditing Standards.

The average exchange rates used were as follows:

	2013 Statutory	2012 and Constant Currency
AUD/USD	1.0270	1.0320
AUD/EUR	0.7945	0.7719
AUD/GBP	0.6550	0.6516
AUD/CHF	0.9670	0.9269
AUD/NZD	1.2493	1.2830

To manage currency translation risk Sonic uses "natural" hedging, under which foreign currency assets (businesses) are matched to the extent possible with same currency debt. Therefore:

- as the AUD value of offshore assets changes with currency movements, so does the AUD value of the debt; and
- as the AUD value of foreign currency EBIT changes with currency movements, so does the AUD value of the foreign currency interest expense.

As Sonic's foreign currency earnings grow, interest rates reduce and debt is repaid, the natural hedges have only a partial effect, so AUD reported earnings do fluctuate. Sonic believes it is inappropriate to hedge translation risk (a non-cash risk) with real cash hedging instruments.

Directors' Report

Operating and financial review (continued)

Financial results (continued)

2. Explanation of results (continued)

(b) Revenue

Total revenue growth for the year was 4.7% at Constant Currency exchange rates (i.e. applying the average rates for the 2012 year to the current year results).

Revenue breakdown AUD M	2013 Statutory Revenue	% of 2013 Statutory Revenue	2013 Constant Currency Revenue	2012 Statutory Revenue	Growth 2013 Constant Currency v 2012 Statutory
Pathology – Australia	1,067	31%	1,067	1,004	6.3%
Pathology – USA	749	21%	746	765	(2.5)%
Pathology – Europe	888	25%	911	829	9.9%
Pathology – NZ	41	1%	40	62	(35.5)%
Pathology – Total	2,745	78%	2,764	2,660	3.9%
Imaging – Australia and NZ	404	12%	403	384	4.9%
Medical centres and occupational health (IPN) – Australia	332	10%	332	299	11.0%
Revenue excluding interest income	3,481	100%	3,499	3,343	4.7%
Interest income	3		4	3	
Total revenue	3,484		3,503	3,346	

The global demand for medical diagnostic services continues to increase as a result of growing and ageing populations, the development of new, less invasive and more efficacious tests, including genetic testing, and the increasing focus on screening tests for early disease detection (preventative medicine). This strong underlying volume growth puts pressure on healthcare funders, and as a result Sonic is sometimes subject to fee adjustments aimed at curbing growth.

Australian pathology revenue grew in line with market growth (approximately 5%), augmented by the acquisition of Healthscope's Western Australian pathology business in October 2012, but impacted by a Medicare fee reduction of approximately 1.1% from 1 January 2013.

Revenue in the USA was lower than expected due to the weak macro growth environment, Medicare fee cuts and Superstorm Sandy. Growth is expected to return to the US market as economic conditions improve, and this should be accelerated and enhanced by the millions of additional insured lives expected from calendar 2014 onwards as a result of the "Obamacare" legislation. Volume growth has improved in recent months. Approximately 20% of Sonic's USA revenue is from Medicare. Medicare fees were reduced by approximately 3% from 1 January 2013 and a further 2% from 1 April 2013 (the "sequestration" cut) in broad based adjustments. A targeted reduction of anatomic pathology fees occurred from 1 January 2013, with an annual impact on Sonic of about US\$6M.

European revenue growth was augmented by synergistic business acquisitions in Germany during the current and prior financial year including Labor Dr. Steinberg (acquired December 2011) and Labor Oldenburg (acquired July 2012). UK organic growth included increased revenue from hospital pathology outsourcing contracts, in particular from private hospitals owned by BMI and Ramsay, and the National Health Service's North West London Hospital Trust. Sonic's Belgian operations benefited from a fee increase of approximately 1% from February 2013. Swiss organic revenue growth was strong at 7%.

Sonic's operations in Germany achieved strong organic volume growth through market share gains but were impacted by fee adjustments in the form of national "quotas" applied from 1 October 2012 to statutory insurance revenue (which represents just less than 50% of Sonic's German revenue). The quotas, representing the percentage of "EBM" scheduled fees for testing performed that will be paid, were 95.3% for the December 2012 quarter, 89.2% for the six months to June 2013 and will be 91.8% for the six months to December 2013. The quota for the six months to June 2014 is expected to be announced in December 2013.

Directors' Report

Operating and financial review (continued)

Financial results (continued)

2. Explanation of results (continued)

(b) Revenue (continued)

Certain regional funding bodies ("KVs") in Germany short paid quarterly billing in periods up to 30 September 2012, after which the statutory insurance payment system moved to a national funding structure. As at 30 June 2013 Sonic is carrying €15M in debtors in relation to these short payments. Sonic is pursuing recovery of these debtors and legal advice supports full recoverability as the short payments are considered unlawful, and this view is supported by a number of the other regional KVs.

Pathology revenue in New Zealand reduced following the sale of Sonic's Medlab South operation in March 2012.

Imaging revenue growth was pleasing, though impacted by the sale (at a nominal profit) of Sonic's 80% interest in the small Palmerston North X-ray practice to the radiologist minority owner in November 2012.

Sonic's medical centre and occupational health businesses, Independent Practitioner Network ("IPN"), achieved revenue growth through a combination of acquisitions and organic growth in existing medical centres and greenfield sites, underpinned by successful doctor recruitment strategies.

Revenue was impacted by currency exchange rate movements, which decreased reported (Statutory) revenue by A\$19M compared to the comparative period.

(c) EBITDA

EBITDA grew 4.5% at Constant Currency exchange rates versus the prior year, 4.9% adjusting for the one-off implementation costs of the cost-out initiative in the USA. EBITDA was impacted by the expensing of acquisition related costs, totalling A\$3M in the year (2012: A\$4M).

Margins in the Pathology division were impacted by fee changes in the second half of the year (described in the Revenue section above), the weak economic environment in the USA and Superstorm Sandy (approximate US\$3M EBITDA impact). Dilution also occurred due to the revenue recognised at low margin on pathology outsourcing contracts in the UK. Excluding the USA and UK, pathology margins increased by 40 basis points ("bps"), through cost reductions and efficiencies.

To address the current challenges in the USA market, a major operational exercise has been undertaken over the last six months to plan and commence execution of a US\$60M "cost-out" initiative. The majority of these savings are already locked in, with US\$15M of savings achieved in 2013, US\$50M expected in 2014, and US\$60M impact for the 2015 year. Implementation costs of US\$2.5M were incurred in 2013, with a further US\$5M expected in 2014. The cost savings comprise mainly labour and procurement savings, including centralisation projects and rationalisation of operations.

Sonic's Imaging division and IPN both showed significant margin expansion as a result of revenue growth, cost control and efficiency programs.

Growth in reported expense lines in the Income Statement is distorted by currency exchange rate fluctuations. More meaningful analysis of expenses can be undertaken by relating expenses to revenue. Labour is the major cost of Sonic's businesses, equating to 46% of revenue, up 60 basis points ("bps") on the prior year due to increasing collection centre labour costs in Australian Pathology, changes in the mix of Sonic's revenues, and the difference between wage inflation and static to negative revenue fee schedule movements. The cost of medical consumables, Sonic's second largest cost category, has reduced 60 bps as a percentage of revenue to 15%, as a result of Sonic's ongoing initiatives to leverage the Group's global purchasing power. The third largest expense, operating lease rents, comprises mainly premises rentals, and has increased 20 bps as a percentage of revenue mainly due to increasing rents and numbers of collection centres in Australia.

Operating and financial review (continued)

Financial results (continued)

2. Explanation of results (continued)

(d) Depreciation and lease amortisation

Depreciation and lease asset amortisation has increased 4.2% on the comparative period (at Constant Currency rates) in line with the growth of the business.

(e) Intangibles amortisation

Intangibles amortisation mainly relates to internally developed software and has increased due to Sonic's ongoing focus on developing proprietary software to provide competitive advantage in the market place.

(f) Interest expense

As previously forecast, net interest expense has decreased 15.5% (A\$11M) on the prior year (at Constant Currency rates) due to a combination of lower margins, lower base interest rates and the expiry of interest rate hedges at higher historical rates. The majority of Sonic's debt is drawn in foreign currencies as "natural" balance sheet hedging of Sonic's offshore operations (see (a) Constant currency above). Interest rate hedging arrangements are in place in accordance with Sonic's Treasury Policy.

(g) Tax expense

The effective tax rate of 23.4% was lower than previous guidance (~25%) and in the comparative period (24%), partly due to overprovisions in prior years (mainly relating to additional tax deductions identified in Germany) and to the performance of Sonic's businesses in higher tax rate jurisdictions relative to the performance of its operations in lower tax rate countries.

(h) Cashflow from operations

Cash generated from operations equated to 95% of cash profit (net profit plus depreciation, intangibles amortisation, equity instrument expense and outside equity interests). Cash generation in the prior year was extremely strong (107% of cash profit). Cash generation this year was impacted by the timing of cash receipts, especially in relation to "KV" payments in Germany, leading to an increase in trade debtors at 30 June 2013. Adjusting for the change in German debtors, cash generation would have been 99% of cash profit. Proceeds from sale of non-current assets disclosed in the Cash Flow Statement include the sale of Palmerston North X-ray and the sale of Sonic's Auckland laboratory land and building (at approximate book value).

Financial position

Net assets at 30 June 2013 of A\$2,918M increased by \$308M, or 11.8%, on the prior year. 44% of this increase related to movements in currency exchange rates, with both assets (including intangibles) and liabilities of Sonic's offshore businesses being inflated by the weakened Australian dollar.

The remaining increase in net assets was due to contributed equity increasing \$89M primarily as a result of shares issued under the Company's Dividend Reinvestment Plan and on exercise of options, and retained earnings increasing \$98M from operating profit, less dividends paid. The Company's Dividend Reinvestment Plan operated for the 2012 final dividend, raising A\$36.9M of new equity. The Company received net cash of A\$32.9M on exercise of options during the year.

Receivables at 30 June 2013 were impacted by the timing of cash receipts from trade debtors, especially in relation to "KV" payments in Germany. The asset classified as held for sale in 2012, being a building and land in Auckland, New Zealand, was sold during 2013. The investment property disclosed in 2012 (95 Epping Road, Macquarie Park) has been reclassified into property, plant and equipment in 2013 as it is now predominantly used for operating activities.

Net (of cash) interest bearing debt increased by \$168M (10.7%) to A\$1,739M, however excluding currency exchange rate impacts it actually reduced by \$30M, or 2%. Sonic has disclosed \$514M of debt drawn under bank debt facilities which expire in March 2014 as a current liability as at 30 June 2013. As a result the Consolidated Balance Sheet shows a deficiency of working capital of \$172M. Sonic intends to refinance or extend most or all of this debt, and foresees no difficulties in doing so given the strong relationships Sonic has with its existing banks (including recent feedback specifically about the refinancing), approaches received from new banks interested in lending to Sonic, Sonic's investment grade metrics and its strong and reliable operating cash flows. In addition, Sonic currently has headroom in cash and undrawn facilities sufficient to cover the majority of the maturing limits.

Directors' Report

Operating and financial review (continued)

Financial position (continued)

Sonic's net interest bearing debt at 30 June 2013 comprised:

	Facility Limit M	Drawn M	AUD \$M Available
Notes held by USA investors – USD	US\$500	US\$500	-
Bank debt facilities			
– USD limits	US\$409	US\$409	-
– Euro limits	€633	€595	55
– AUD (Multicurrency) limits	A\$344	A\$114 ⁺	230
Minor debt/leasing facilities	n/a	A\$9 [*]	-
Cash	n/a	A\$(220) [*]	220
Net interest bearing debt at 30 June 2013		A\$1,739	
Available funds at 30 June 2013			A\$505

⁺ Drawn in GBP, USD and AUD

^{*} Various currencies

Sonic's credit metrics were as follows:

	30.6.13	31.12.12	30.6.12
Gearing ratio	37.3%	36.4%	37.6%
Interest cover (times)	8.6	7.8	7.0
Debt cover (times)	2.4	2.4	2.5

Definitions:

Gearing ratio = Net debt/[Net debt + equity] (bank covenant limit <55%)

Interest cover = EBITA/Net interest expense (bank covenant limit >3.25)

Debt cover = Net debt/EBITDA (bank covenant limit <3.5)

Calculations as per Sonic's syndicated bank debt facility definitions

Sonic's senior debt facility limits (including undrawn facilities) at the date of this report expire as follows:

	AUD M	GBP M	USD M	Euro M
2014	165	-	259	62
2015	179	-	-	186
2016	-	40	75	190
2017	-	-	170	195
2020	-	-	155	-
2021	-	-	250	-
	344	40	909	633

In June 2012, Sonic refinanced a bilateral bank debt facility which was due to expire in September 2012. As part of the refinancing the facility was upsized from US\$75M to US\$150M. In September 2012 a new 5 year club bank debt facility for €195M was established, with one existing and two new lenders to the Company. Since year end the Company has successfully established a new bank debt facility for £40M, expiring in 2016, and has received net cash of A\$30M on exercise of options.

There were no significant changes in the state of affairs of the Group during the course of the financial year other than those noted in the financial result and financial position sections above.

Operating and financial review (continued)

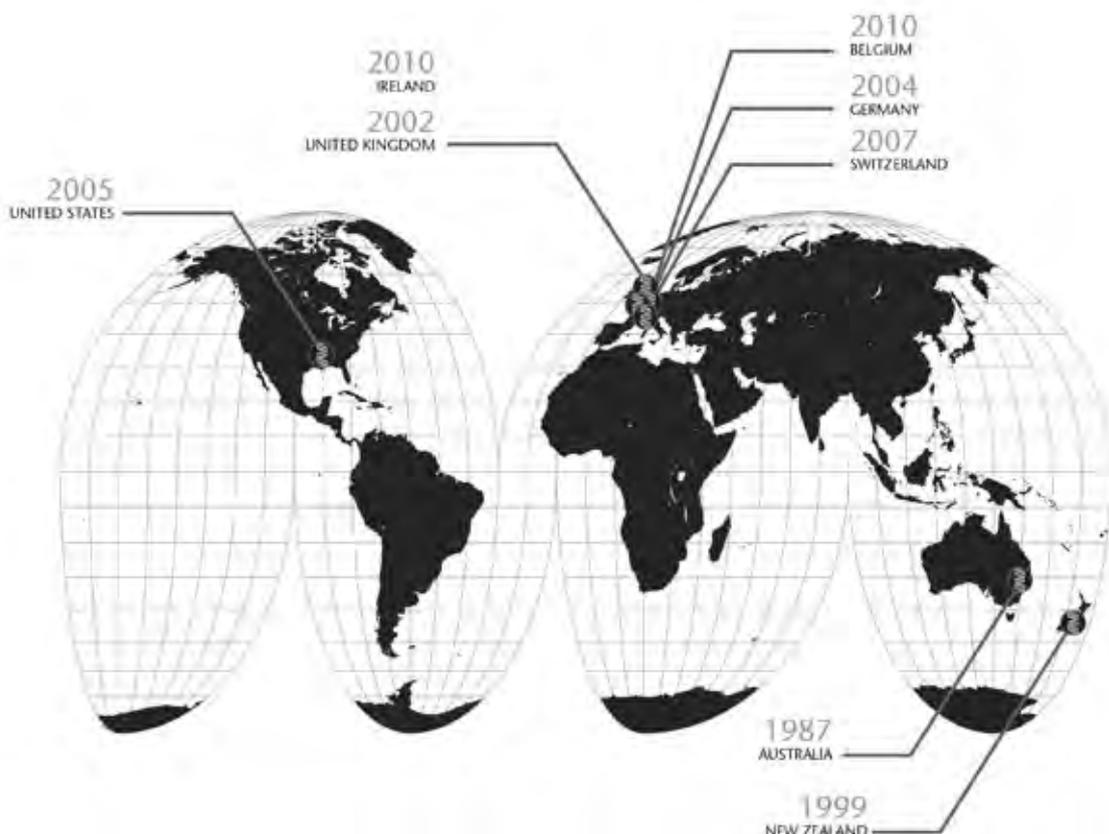
Business model and strategies

For over 20 years, Sonic Healthcare has pursued and promoted a management and operational philosophy of Medical Leadership. The impact of this approach has been to develop a company whose services are optimally aligned with the needs of physicians and their patients. Medical Leadership encompasses a management commitment to the maintenance of professionalism and “good medicine” at all times. It fosters an understanding of the doctor-patient relationship and it puts quality first.

Sonic's operations are structured as a “federation”, implying that individual subsidiaries or geographical divisions work in a synergistic network to achieve best practice outcomes in terms of service and business excellence. The structure reinforces the identity and management autonomy of each local operation. Each operation has its own CEO or President and management team. When Sonic acquires businesses, these most often maintain their management autonomy, brand, and consequently their local “flavour”. This is the structure which is most resonant with local medical communities and which best preserves acquired goodwill. However, Sonic's operations work in a collaborative way within the structure, via central executives and widespread inter-company communication, to achieve synergies. Detailed benchmarking leading to best practice, group purchasing, IT, E-health, quality system sharing and centralisation of testing are all examples of continuous synergy activity within the Group.

Sonic's Medical Leadership philosophy and federation structure have resulted in significant “brand” differentiation in the market place. The Company's operations are viewed as specialist medical practices, rather than as “businesses”. This market differentiation has not only fostered strong organic revenue growth (including hospital pathology outsourcing contracts) over the years but has often made Sonic the preferred acquirer when laboratory or imaging practice founders and owners wish to realise the value of their practices without seeing their focus on the medical nature of the business lost to a more “corporatised” acquirer. Sonic's culture and structure have also served to attract and retain top pathologists, radiologists, scientific staff and managers, with staff turnover at this important senior level consistently at very low levels.

Sonic's strategy is to utilise its unique culture, values and structure to achieve a leading position in targeted geographic pathology markets, providing sufficient size and infrastructure to facilitate synergies and economies of scale to drive margin improvements, earnings growth and increasing returns on capital invested. Sonic has a successful track record of consolidating fragmented markets in Australia, using its market differentiation to drive both organic revenue growth and to attract like-minded laboratories for acquisition. Having undertaken a strategic international pathology expansion program, Sonic is now implementing the same strategies in its offshore pathology markets. Sonic is also well placed to benefit from the increasing trend for governments to outsource their diagnostic testing to the private sector in order to address growing healthcare costs.



Directors' Report

Operating and financial review (continued)

Prospects for future years

Sonic operates in attractive and growing global healthcare markets, carefully chosen based on a range of factors including political, legal and financial stability, reliable and stable healthcare funding systems, fragmentation of the market, and cultural understanding. Within these markets there is increasing demand for diagnostic services arising from growing and ageing populations, new tests and preventative medicine. Against this favourable backdrop Sonic expects to continue for the foreseeable future to grow revenue, earnings and returns on investment organically, including through outsourcing contracts, and further enhanced by synergistic business acquisitions. Pathology is a business which offers many levers which can be adjusted to optimise individual processes and Sonic's managers are constantly seeking efficiency gains within their businesses, aided by the early adoption of new technologies and the sharing of experiences with colleagues from around the globe.

Whilst the present focus for acquisitions is on Sonic's existing markets, further prudent and strategic international expansion in pathology is likely in the medium to long term. Sonic has no current intention to expand its diagnostic imaging or other businesses outside Australia.

Sonic intends to maintain a solid investment grade profile with conservative leverage, to preserve Sonic's culture and Core Values, and to ensure the attraction and retention of the best people to drive the business forward, including retaining key staff from acquisitions.

With regard to more short term prospects, on 20 August 2013 Sonic provided guidance in relation to forecast results for the 2014 financial year as follows:

- Sonic expects to grow EBITDA by approximately 5% over the 2013 level of A\$647M, on a Constant Currency basis (applying 2013 average currency exchange rates to 2014 foreign currency earnings). The expected EBITDA growth allows for Sonic's best estimates of possible further fee adjustments in Australia, Germany and the USA.
- Net interest expense is expected to decrease by approximately 10% from the 2013 level of A\$63M on a Constant Currency basis. Underlying floating interest rates are assumed to remain constant at August 2013 levels.
- The effective tax rate is expected to be approximately 25%.
- This guidance excludes the impact of any future business acquisitions.

Given Sonic's size and global market presence, opportunities present themselves from time to time that are not necessarily in accordance with Sonic's core strategies. These opportunities are assessed by management and the Board to determine whether their pursuit is in the best interests of shareholders. Further information on likely strategic developments has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the interests of the Group.

Risks

The major risks to consider in assessing Sonic's future prospects are:

- Sonic's reported revenue and earnings will fluctuate with changes in the currency exchange rates between the Australian dollar (our reporting currency) and the currencies of our offshore operations. As previously noted, Sonic uses foreign currency borrowings as a partial (natural) hedge.
- In most of Sonic's markets the majority of revenue is priced based on fee schedules set by government or quasi government bodies and, especially in the USA, insurance companies. As a result of the strong underlying volume growth drivers, healthcare funders will sometimes use fee cuts or other adjustments to curb growth in their outlays. Sonic mitigates this risk through its geographic and line of business diversification, by seeking diversified sources of revenue for its services within markets, and by being one of the largest, more efficient operators and therefore less impacted by adverse market changes than smaller, less efficient players. In general, fee pressures drive further market consolidation, feeding into Sonic's core strategy of growth both organically and by acquisition, with attendant synergy capture and economies of scale.

Directors' Report

Operating and financial review (continued)

Risks (continued)

- Healthcare businesses are subject to significant levels of regulation. Changes in regulation can have the impact of increasing costs or reducing revenue (through volume reductions). Sonic attempts to mitigate this risk by using its market leadership positions to help shape the healthcare systems in which it operates. Sonic takes active roles in industry associations, and encourages its people to take leadership positions in colleges and other professional and craft organisations. In addition, Sonic's size and efficiency allows it to benefit from market consolidation caused by the impacts of regulatory changes on smaller players.
- Sonic uses prudent levels of debt to reduce its cost of capital and to increase earnings per share. It is therefore subject to the risk of rising interest rates (either on floating rate debt or when existing facilities expire) and the future availability of funding. Sonic has a sophisticated Treasury Policy in place to manage these risks, developed and overseen by Sonic's Treasury Management Committee, which includes a renowned expert external consultant.
- With operations in eight jurisdictions, Sonic is potentially exposed to changes in taxation law legislation or interpretation which could increase its effective tax rate.

Sonic's geographic, business line and branding diversification, plus our federation structure, broad menu of tests offered and low customer concentrations mean that few, if any, of the usual operating risks faced by a healthcare business would have a material impact on Sonic as a whole.

Matters subsequent to the end of the financial year

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Report

Information on Directors

(a) Directors' profiles



Peter Campbell Chairman

F.C.A., C.T.A., F.A.I.C.D.

**Non-executive, independent Director, appointed January 1993
(Chairman from 27 October 2010)**

Mr Campbell is a Chartered Accountant with his own practice based in Sydney. He is a Fellow of the Institute of Chartered Accountants in Australia, the Taxation Institute of Australia and the Australian Institute of Company Directors. He is a Registered Company Auditor. Mr Campbell is a member of the Remuneration and Nomination Committee and Audit Committee. Mr Campbell is currently a non-executive director of Silex Systems Limited (since 1996) and also of QRxPharma Limited (since April 2007).



Dr Colin Goldschmidt CEO and Managing Director

M.B.B.Ch., F.R.C.P.A., F.A.I.C.D.

Executive Director, appointed January 1993

Dr Goldschmidt is the CEO and Managing Director of Sonic Healthcare. He is a qualified medical doctor who then undertook specialist pathology training in Sydney, before gaining his Specialist Pathologist qualification in 1986. Dr Goldschmidt practised for five years (1987-1992) as a histopathologist with Douglass Hanly Moir Pathology, Sonic's first acquisition, prior to his appointment as CEO of both Sonic Healthcare and Douglass Hanly Moir Pathology in 1993. He is a member of numerous medical and pathology associations and a member of Sonic's Risk Management Committee. He is also a non-executive director of Silex Systems Limited (since 1992), a listed company spun out of Sonic in 1996.



Christopher Wilks Finance Director

B.Comm. (Univ Melb), F.A.I.C.D.

Executive Director, appointed December 1989

Mr Wilks has a background in chartered accounting and investment banking. He was previously a partner in a private investment bank and has held directorships for a number of public companies. He is currently a director of Silex Systems Limited (since 1988). Mr Wilks is a member of the Risk Management Committee.

Directors' Report

Information on Directors (continued)

(a) Directors' profiles (continued)



Dr Philip Dubois

M.B., B.S., F.R.C.R., F.R.A.N.Z.C.R., F.A.I.C.D.

Executive Director, appointed July 2001

Dr Dubois is Chairman of the Sonic Imaging Executive Committee and is Chairman and CEO of Queensland X-Ray. A neuroradiologist and nuclear imaging specialist, he is currently an Associate Professor of Radiology at the University of Queensland Medical School. He has served on numerous government and craft group bodies, including the councils of the Royal Australian and New Zealand College of Radiologists and the Australian Medical Association, and as Vice-President of the Australian Diagnostic Imaging Association. Dr Dubois is a member of Sonic's Risk Management Committee. He is a non-executive director of Magnetica Limited (since December 2004).



Colin Jackson

O.A.M., F.C.P.A., F.C.A., F.A.I.C.D.

Executive Director, appointed December 1999

Mr Jackson has a background in professional accounting practice and laboratory management. He plays an active role at Sonic corporate level and, as President of Pathology Australia, represents Sonic at a national industry level. Mr Jackson was the Chief Executive Officer of Diagnostic Services Pty Limited (Sonic's Tasmanian practice) for 11 years to 2006. He is a Fellow of the Australian Society of Certified Practising Accountants, the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia. Mr Jackson is a member of the Winston Churchill Fellowship Trust Selection Committee in Tasmania. He is also President of the University of Tasmania Foundation and a member of the Tasmanian Board of the Australian Olympic Committee.



Lou Panaccio

B.Ec., C.A., M.A.I.C.D.

Non-executive, independent Director, appointed June 2005

Mr Panaccio is a chartered accountant with strong management experience in business and healthcare services. He is currently Executive Chairman (from July 2011) of ASX listed Genera Biosystems Limited (director from November 2010), Executive Chairman of Health Networks Australia, non-executive Chairman of the Inner Eastern Community Health Service in Victoria and a non-executive director of Yarra Community Housing Limited. Mr Panaccio was the Chief Executive Officer and an executive director of Melbourne Pathology for ten years to 2001. Mr Panaccio is Chairman of the Audit Committee, and a member of the Remuneration and Nomination Committee.

Directors' Report

Information on Directors (continued)

(a) Directors' profiles (continued)



Kate Spargo

L.L.B. (Hons), B.A., F.A.I.C.D.

Non-executive, independent Director, appointed July 2010

Ms Spargo has gained broad business experience as both a legal advisor, having worked in private practice and government, and as a director. Ms Spargo has been a director of both listed and unlisted companies over the last fifteen years and her current directorships include the ASX listed companies Fletcher Building Limited (from March 2012) and UGL Limited (from October 2010). She is also a director of SMEC Limited, an engineering company with operations in around 40 countries, Investec Bank (Australia) Limited, ColInvest Limited and Suncorp Portfolio Services Limited. She is a member of the International Ethics Standards Board for Accountants. Ms Spargo is Chair of the Remuneration and Nomination Committee and is a member of the Audit Committee.



Dr Jane Wilson

M.B.B.S., M.B.A., F.A.I.C.D.

Non-executive, independent Director, appointed July 2010

Dr Wilson is a senior non-executive director with a background in medicine, finance and banking and has extensive experience in corporate finance, commercialisation of technologies and governance. Dr Wilson is a Fellow of the Australian Institute of Company Directors (AICD) and was the Queensland President and National Board Director of AICD from 2002 to 2004. She is currently a director of CathRx Ltd (since August 2005), Finance Director of The Winston Churchill Memorial Trust and a director of the General Sir John Monash Foundation. She is a member of the University of Queensland Senate, the Senate Finance Committee and the University of Queensland Faculty of Health Sciences Board. Dr Wilson was a director of Universal Biosensors Ltd from December 2006 until August 2013. Dr Wilson is Chairman of the Risk Management Committee and is a member of the Remuneration and Nomination Committee.

(b) Company Secretary



Paul Alexander

B.Ec., C.A., F.Fin.

Mr Alexander has been the Deputy Chief Financial Officer of Sonic Healthcare Limited since 1997 and Sonic's Company Secretary since 2001. Prior to joining Sonic, Mr Alexander gained 10 years experience in professional accounting practice, mainly with Price Waterhouse, and was also Financial Controller and Company Secretary of a subsidiary of a multinational company for two years.

Directors' Report

Information on Directors (continued)

(c) Directors' interests in shares, options and performance rights as at 25 September 2013

Director's name	Class of shares	Number of shares	Interest	Number of options	Number of performance rights
R.P. Campbell	Ordinary	10,271	Beneficially	-	-
Dr C.S. Goldschmidt	Ordinary	700,000	Personally	2,899,048	314,960
	Ordinary	30,243	Beneficially	-	-
C.D. Wilks	Ordinary	906,125	Personally	1,449,523	157,480
	Ordinary	88,122	Beneficially	-	-
Dr P.J. Dubois	Ordinary	-	-	-	-
C.J. Jackson	Ordinary	461,371	Personally	-	-
L.J. Panaccio	Ordinary	-	-	-	-
K.D. Spargo	Ordinary	3,000	Personally	-	-
	Ordinary	5,000	Beneficially	-	-
Dr E.J. Wilson	Ordinary	2,000	Beneficially	-	-

* The options and performance rights are subject to challenging performance conditions designed to align the interests of the executives with those of shareholders. None of the options or performance rights have vested to date.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2013, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of Committees					
			Audit		Remuneration and Nomination		Risk Management	
	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held
R.P. Campbell	12	12	3	3	3	3	-	-
Dr C.S. Goldschmidt	12	12	-	-	-	-	3	3
C.D. Wilks	12	12	-	-	-	-	3	3
Dr P.J. Dubois	12	12	-	-	-	-	3	3
C.J. Jackson	12	12	-	-	-	-	-	-
L.J. Panaccio	11	12	3	3	3	3	-	-
K.D. Spargo	12	12	3	3	3	3	-	-
Dr E.J. Wilson	12	12	-	-	3	3	3	3

Directors' Report

Insurance of officers

During the financial year, the Company entered into agreements to indemnify all Directors of the Company that are named above and current and former Directors of the Company and its controlled entities against all liabilities to persons (other than the Company or related entity) which arise out of the performance of their normal duties as Director or executive officer unless the liability relates to conduct involving lack of good faith. The Company has agreed to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

The Directors' and officers' liability insurance provides cover against costs and expenses, subject to the terms and conditions of the policy, involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or related entity) incurred in their position as a Director or executive officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage. The insurance policy does not allow disclosure of the nature of the liabilities insured against or the premium paid under the policy.

Environmental regulation

The Group is subject to environmental regulation in respect of the transport and disposal of medical waste. The Group contracts with reputable, licensed businesses to dispose of waste and there have been no investigations or claims during the financial year. The Directors believe that the Group has complied with all relevant environmental regulations.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor of the Group (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001*. In the opinion of the Directors none of the services provided undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 41.

During the year the following fees were paid or payable for non-audit services provided by the auditors of the Group.

	2013 \$	2012 \$
Related practices of PricewaterhouseCoopers – Australian firm (including overseas PricewaterhouseCoopers firms)		
Taxation and accounting services	-	33,250

Share options

Information on share options is detailed in Note 7 – Share options.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Directors' Report

Remuneration Report

The Directors of Sonic Healthcare Limited present the Remuneration Report for the year ended 30 June 2013 in accordance with section 300A of the *Corporations Act 2001*.

Sonic Healthcare's remuneration packages are structured and set at levels that are intended to attract, motivate and retain Directors and executives capable of leading and managing the Group's operations, and to align remuneration with the creation of value for shareholders.

Remuneration of Non-executive Directors is determined by the Board within the maximum amount approved by the shareholders. At the Annual General Meeting ("AGM") on 18 November 2010 shareholders approved a maximum amount of \$1,000,000 for remuneration of Non-executive Directors, of which \$560,000 was paid in 2013. Since May 2009 the base Non-executive Director fee has been \$125,000 per annum and Committee fees of \$10,000 per annum have applied for each Board Committee upon which a Director served, other than the Remuneration and Nomination Committee, for which the fee was \$5,000 per annum. During the year the Remuneration and Nomination Committee directly engaged Aon Hewitt as independent remuneration consultants to provide market benchmarking analysis for Non-executive Director fees. Based on this advice, effective 1 July 2013 the Chairman's annual remuneration has increased to \$290,000 inclusive of all Board Committee work and the base Non-executive Director fee is now \$140,000. Board Committee fees as follows:

Fees per annum	Chair	Members
Audit	\$18,000	\$10,000
Risk Management	\$10,000	n/a
Remuneration and Nomination	\$10,000	\$5,000

The increases implemented were at the lower end of Aon Hewitt's recommendations. Options or performance rights are not issued and bonuses are not payable to Non-executive Directors.

The Remuneration and Nomination Committee, consisting of four Non-executive independent Directors, makes specific recommendations to the Board on remuneration packages and other terms of employment for the Managing Director and Finance Director and advises the Board in relation to equity-based incentive schemes for other employees. The Remuneration and Nomination Committee and Board also seek and consider advice from independent remuneration consultants where appropriate. Remuneration consultants are engaged by and report directly to the Remuneration and Nomination Committee, after consideration of any potential conflicts.

Sonic Healthcare's remuneration policy links the remuneration of the Managing Director and the Finance Director to Sonic's performance through the award of conditional entitlements. These conditional entitlements relate to the performance of the Group and thus align reward with the creation of value for shareholders.

Remuneration and other terms of employment for other executives are reviewed annually by the Managing Director having regard to performance against goals set at the start of the year, performance of the entity or function of the Group for which they have responsibility, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages may include superannuation, fringe benefits, performance related bonuses and share and option grants. These bonuses and equity grants reward the creation of value for shareholders.

Other than contributions to superannuation funds during employment periods and notice periods under applicable employment laws and in certain executive service contracts, the Group does not contract to provide retirement benefits to Directors or executives.

(a) Key management personnel

(i) Directors

The following persons were Directors of Sonic Healthcare Limited during the financial year and therefore key management personnel:

Non-executive Directors

R.P. Campbell
L.J. Panaccio
K.D. Spargo
Dr E.J. Wilson

Directors' Report

Remuneration Report (continued)

(a) Key management personnel (continued)

(i) Directors (continued)

Executive Directors

Dr C.S. Goldschmidt	<i>Managing Director</i>
C.D. Wilks	<i>Finance Director</i>
Dr P.J. Dubois	
C.J. Jackson	

All of the above persons were also key management personnel during the year ended 30 June 2012.

(ii) Other key management personnel

The Sonic Group operates via a decentralised federated structure whereby the Chief Executive Officers of individual operating entities have delegated authority for their local operations (each of which is immaterial to the Group as a whole). The Group's Australian and New Zealand pathology and radiology activities are co-ordinated and controlled through the Pathology Sonic Executive Committee and the Imaging Sonic Executive Committee ("PSEC" and "ISEC" respectively). Dr C.S. Goldschmidt is Chairman of PSEC and a member of ISEC, Dr P.J. Dubois is Chairman of ISEC and C.D. Wilks is a member of both PSEC and ISEC. A German Sonic Executive Committee ("GSEC") co-ordinates the Group's German operations. Dr C.S. Goldschmidt is Chairman of GSEC and C.D. Wilks is also a member. Dr C.S. Goldschmidt and C.D. Wilks are also involved in the formal meetings of the heads of Sonic's businesses in the USA. C.J. Jackson is an Executive Director of Sonic who is a member of PSEC, represents Sonic in industry matters and undertakes various projects and initiatives.

The Board therefore considers that the Executive Directors and the Non-executive Directors, are the Group's "key management personnel".

(b) Performance of the Group and relationship to remuneration of key management personnel

The table below summarises Sonic Healthcare's performance over the last five years and the changes in remuneration of key management personnel (but excluding Non-executive Directors who do not receive bonuses or options/performance rights):

	2009 ¹	2010	2011	2012	2013	Compound Average Annual Growth Rate ²
Growth in EBITDA (on a constant currency basis)	14.1%	2.1%	11.3%	12.1%	4.5%	8.6%
Net profit attributable to members (\$'000)	315,146	293,225	294,535	315,996	334,998	6.4%
Ordinary earnings per share (cps)	85.2	75.0	75.5	80.7	84.3	2.8%
Dividends paid per share (cps)	54	59	59	59	60	
Enterprise value ³ (\$'000)	5,928,856	5,552,415	6,534,718	6,536,398	7,620,761	
Total shareholder return ⁴	(3.0)%	(22.0)%	1.5%	19.2%	64.6%	
Change in total cash remuneration of executives ⁵	42.4%	6.0%	0.6%	4.7%	(20.0)%	4.9%
Change in total remuneration of executives ⁶	9.8%	(23.3)%	(18.9)%	(3.0)%	(11.3)%	(10.1)%

¹ Growth in EBITDA, net profit attributable to members, and earnings per share exclude certain non-recurring expenses in 2009. No other years have been adjusted.

² The compound average annual growth rate is calculated over the five year period shown.

³ Enterprise value is the Company's market capitalisation (number of issued shares times closing share price) plus net interest bearing debt at 30 June.

⁴ Total shareholder return is calculated over a rolling 3 year performance period and assumes dividend reinvestment.

⁵ Change in total cash remuneration of executives is the percentage increase/(decrease) over the prior year of total cash remuneration of all key management personnel in place for all five years (but excluding Non-executive Directors).

⁶ Change in total remuneration of executives is the percentage increase/(decrease) over the prior year of total remuneration (cash plus long service leave accrued plus the calculated value of equity remuneration) of all key management personnel in place for all five years (but excluding Non-executive Directors).

The table above demonstrates the relationship between the performance of the Group and the remuneration of its key management personnel. Cash remuneration increased marginally and equity-based remuneration reduced during the three years to 2012 when Sonic Healthcare's reported performance was significantly impacted by foreign currency headwind, with the strengthening AUD reducing the translated earnings of the Group's offshore operations. In 2013 remuneration fell substantially as the performance hurdle related to EBITDA growth which applies to 70% of the maximum short term incentives for the Managing Director and Finance Director was not met.

Directors' Report

Remuneration Report (continued)

(c) Remuneration of key management personnel

Details of the nature and amount of each element of the remuneration of the key management personnel of the Group are set out below in the tables (for cash remuneration) and text (non-cash remuneration):

12 months to 30 June 2013

Name	Short-term employee benefits			Post-employment benefits	Total cash remuneration ²
	Salary & fees	Other benefits ¹	Short term incentives (STI)	Superannuation	
	\$	\$	\$	\$	\$
Dr C.S. Goldschmidt <i>Managing Director</i>	1,873,530	-	398,475	16,470	2,288,475
C.D. Wilks <i>Finance Director</i>	823,530	-	189,000	16,470	1,029,000
Dr P.J. Dubois <i>Director</i>	523,477	7,999	158,600	21,154	711,230
C.J. Jackson <i>Director</i>	346,512	-	-	23,488	370,000
R.P. Campbell <i>Chairman and Non-executive Director</i>	128,440	-	-	11,560	140,000
L.J. Panaccio <i>Non-executive Director</i>	128,440	-	-	11,560	140,000
Dr E.J. Wilson <i>Non-executive Director</i>	128,440	-	-	11,560	140,000
K.D. Spargo <i>Non-executive Director</i>	128,440	-	-	11,560	140,000

¹ Other benefits include fringe benefits tax.

² Excludes long service leave accruals and equity-based remuneration.

Directors' Report

Remuneration Report (continued)

(c) Remuneration of key management personnel (continued)

12 months to 30 June 2012

Name	Short-term employee benefits			Post-employment benefits	Total cash remuneration ²
	Salary & fees	Other benefits ¹	Short term incentives (STI)	Superannuation	
	\$	\$	\$	\$	\$
Dr C.S. Goldschmidt <i>Managing Director</i>	1,781,887	-	1,265,000	18,113	3,065,000
C.D. Wilks <i>Finance Director</i>	764,225	-	600,000	35,775	1,400,000
Dr P.J. Dubois <i>Director</i>	494,902	7,186	110,000	50,000	662,088
C.J. Jackson <i>Director</i>	347,207	-	-	22,793	370,000
R.P. Campbell <i>Chairman and Non-executive Director</i>	128,440	-	-	11,560	140,000
L.J. Panaccio <i>Non-executive Director</i>	128,440	-	-	11,560	140,000
Dr E.J. Wilson <i>Non-executive Director</i>	128,440	-	-	11,560	140,000
K.D. Spargo <i>Non-executive Director</i>	124,617	-	-	11,215	135,832

¹ Other benefits include fringe benefits tax.

² Excludes long service leave accruals and equity-based remuneration.

In addition to the cash remuneration disclosed above, the value of long service leave accrued for each relevant executive for the 12 months to 30 June 2013 was: Dr C.S. Goldschmidt \$69,017 (2012: \$151,814), C.D. Wilks \$20,059 (2012: \$31,206), and C.J. Jackson \$4,314 (2012: \$4,318).

(i) Equity-based remuneration

The calculated remuneration value of options and performance rights for Dr C.S. Goldschmidt for the 12 month period to 30 June 2013 was \$1,540,819 (2012: \$1,316,989), and for C.D. Wilks it was \$770,409 (2012: \$664,475). No options or performance rights were issued in 2013. The options and performance rights are subject to challenging vesting conditions.

The equity-based remuneration amounts disclosed for 2013 relate to options and performance rights issued under the Sonic Healthcare Limited Employee Option Plan and the Performance Rights Plan (2012 also included amounts related to options under the Executive Incentive Plan), and represent the assessed fair values at the date they were granted, allocated equally over the service periods up to the vesting dates. Fair values for these shares, options and performance rights have been determined using a pricing model consistent with the Black Scholes methodology that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield, and risk-free interest rate for the term of the option. The fair value of the shares, options and performance rights granted is adjusted to reflect market vesting conditions (using a Monte Carlo simulation) but excludes the impact of non-market vesting conditions.

No options or performance rights are issuable in future years to Dr C.S. Goldschmidt and C.D. Wilks relating to remuneration arrangements for periods to 30 June 2013.

During the financial year Dr C.S. Goldschmidt exercised 1,000,000 (2012: 1,000,000) Executive Incentive Plan options over ordinary shares in the Company issued as remuneration for periods to 30 June 2008 with an exercise price of \$7.50. The total intrinsic value of the options at the date of exercise was \$5,500,000 (2012: \$4,020,000). C.D. Wilks exercised 540,000 (2012: 540,000) Executive Incentive Plan options over ordinary shares in the Company issued as remuneration for periods to 30 June 2008 with an exercise price of \$7.50. The total intrinsic value of the options at the date of exercise was \$2,970,000 (2012: \$2,170,800).

Remuneration Report (continued)

(c) Remuneration of key management personnel (continued)

(ii) Performance related components of remuneration

Cash bonuses, options and performance rights over unissued ordinary shares of Sonic Healthcare Limited are performance related components of Dr C.S. Goldschmidt's and C.D. Wilks' remuneration. In aggregate, these components made up 50% of Dr C.S. Goldschmidt's remuneration for the 12 months to 30 June 2013 (2012: 57%), and 53% of C.D. Wilks' remuneration for the 12 months to 30 June 2013 (2012: 60%). Within these components, the calculated value of options and performance rights over unissued ordinary shares in Sonic Healthcare Limited accounted for 40% of Dr C.S. Goldschmidt's remuneration for the 12 months to 30 June 2013 (2012: 29%) and 42% of C.D. Wilks' remuneration for the 12 months to 30 June 2013 (2012: 32%). Dr P.J. Dubois' remuneration includes cash bonuses as performance related components. These components made up 22% of Dr P.J. Dubois' remuneration for the 12 months to 30 June 2013 (2012: 17%).

(d) Service agreements

None of the key management personnel of Sonic Healthcare Limited has a service contract. Rather the terms and entitlements of employment are governed by applicable employment laws.

Dr P.J. Dubois has a cash bonus arrangement in place which is based on the satisfaction of performance conditions relating to the earnings of Queensland X-Ray, where he performs the role of CEO.

Remuneration for Dr C.S. Goldschmidt and C.D. Wilks prior to 1 July 2011

Remuneration arrangements for Dr C.S. Goldschmidt and C.D. Wilks were revised with effect from 1 July 2008 for the three years to 30 June 2011. The long term incentive component of the revised remuneration arrangements for the 2009, 2010 and 2011 financial years was approved by shareholders at the 2008 AGM. 1,750,000 options were issued to Dr C.S. Goldschmidt and 875,000 were issued to C.D. Wilks under the Employee Option Plan in November 2008. The options had an exercise price of \$12.98 (Sonic's five day VWAP at the time of the 2008 AGM) and vesting was subject to the fulfilment of two separate performance conditions with a 50% weighting for each (that is, 50% of the options were subject to the first performance condition and the other 50% were subject to the second performance condition).

Performance condition one required a compound annual growth rate of EPS for the three years ending 30 June 2011 of 10%. This performance condition was not met and the relevant 50% of the total number of options lapsed during the 2012 financial year.

Under performance condition two, Sonic's performance was ranked by percentile according to its Total Shareholder Return (TSR) against the TSRs of the companies forming the S&P ASX 100 Accumulation Index, excluding Banks and Resource companies, over the performance period from 1 July 2008 to 30 June 2011. A TSR below the 50th percentile would result in nil options vesting, a TSR of the 50th percentile would result in 50% of options vesting, with a progressive scale of an additional 2% for each percentile increase to the 75th percentile. A TSR of the 75th percentile and above would result in 100% of the relevant options vesting. Sonic achieved a percentile rank of 65.7% and therefore 81.4% of the relevant options (1,068,375 options) achieved the performance condition and were exercised in August 2013. The other 244,125 options lapsed during the 2012 financial year. The vested options had an expiry date of 22 November 2013.

Of the total options issued in November 2008 under the Employee Option Plan 40.7% vested and 59.3% lapsed as performance conditions were not met.

Remuneration for Dr C.S. Goldschmidt and C.D. Wilks for the five years from 1 July 2011

Remuneration arrangements for Dr C.S. Goldschmidt and C.D. Wilks were revised with effect from 1 July 2011 following a comprehensive review by the Remuneration and Nomination Committee. As part of the review, the Remuneration and Nomination Committee directly engaged Aon Hewitt as independent remuneration consultants to provide market benchmarking analysis and to advise on possible remuneration arrangements. As part of their advice Aon Hewitt considered the level of total and individual components of remuneration and made detailed comparisons by percentile band to a core comparator group of 22 ASX listed companies of comparable size and complexity to Sonic, including significant offshore operations. These comparisons showed that Dr C.S. Goldschmidt's total remuneration for 2011 was well below the median whilst C.D. Wilks' was around the 75th percentile. A cross check was then made to a March 2011 PricewaterhouseCooper's publication referencing CEO and CFO remuneration for all companies in the ASX 100. The remuneration levels and split between components for the executives described below reflect the Aon Hewitt advice and took Dr C.S. Goldschmidt's maximum potential remuneration to the median level of historical actual remuneration of the comparator group and C.D. Wilks' into the upper quartile. The Board believes this is appropriate for C.D. Wilks as the role he performs within Sonic is broader than the usual Chief Financial Officer role.

Directors' Report

Remuneration Report (continued)

(d) Service agreements (continued)

(i) Fixed remuneration

The fixed remuneration component comprises base salary and employer superannuation contributions, but excludes long service leave accruals. The executives may take part of their base salary as other benefits, such as motor vehicles, including any associated fringe benefits tax. Fixed remuneration is reviewed annually, taking into account the executives' performance, Company performance and comparative market data. The Board approved a 5% increase in fixed remuneration with effect from 1 July 2013 for Dr C.S. Goldschmidt and C.D. Wilks, in line with a recommendation from Aon Hewitt.

(ii) Short Term Incentives ("STI")

The executives are eligible for an annual cash bonus based on achievement of pre-determined goals. Up to 70% of the maximum STI is based on the Company achieving year on year growth (using Constant Currency exchange rates to translate offshore earnings) in Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") as follows:

Annual EBITDA Growth	% of 70% of STI payable
Less than 6.0%	0%
6.0%	40%
Greater than 6.0% and less than 12.0%	pro rata
12.0% or greater	100%

For the 2014 financial year, the minimum hurdle will be 5.0% (rather than 6.0% in 2013), which better aligns with current market conditions and the earnings guidance provided by the Company on 21 August 2013. All other elements remain unchanged. EBITDA growth (using Constant Currency exchange rates) was chosen as a performance criteria as it is consistent with the way Sonic gives earnings guidance to the market, and it is a clearer measure of operational performance than net profit or earnings per share as it is not distorted by changes in income tax, interest rates, or exchange rates. The Board ensures the growth calculation is performed on a consistent basis (for example, by removing the impact of a change of accounting standards).

Up to 30% of the maximum STI is awarded after an assessment of performance based on qualitative factors including:

- Promotion of and adherence to Sonic's Core Values and Foundation Principles.
- Medical leadership.
- Federation model.
- Risk management.
- External standing and reputation (including stakeholder management, brand and quality).
- Financial leadership and innovation (for C.D. Wilks).

The annual assessment is made by the Remuneration and Nomination Committee and a recommendation made to the Board for final determination. The Board determined to award cash bonuses under the STI for the 2013 financial year of \$398,475 (out of a maximum STI of \$1,328,250) for Dr C.S. Goldschmidt and \$189,000 (out of a maximum STI of \$630,000) for C.D. Wilks. The bonuses have been calculated on the maximum payable under the qualitative factors, as the Board is satisfied that the executives have excelled in the areas of assessment during 2013, and no issues have arisen during the year that would suggest anything to the contrary. The minimum EBITDA growth hurdle for the STI was not met in 2013. The 2013 cash bonuses awarded represent 30% of the maximum STI with 70% forfeited. The Board has approved a 5% increase in the maximum potential STI for 2014 for Dr C.S. Goldschmidt and C.D. Wilks, in line with a recommendation from Aon Hewitt.

Directors' Report

Remuneration Report (continued)

(d) Service agreements (continued)

(iii) Long Term Incentives ("LTI")

After approval by shareholders at the 2011 AGM, the executives were issued the following LTI effective for the five years from 1 July 2011:

	Dr C.S. Goldschmidt	C.D. Wilks
Maximum annual value of LTI	\$1,800,000	\$900,000
Consisting of the issue in November 2011 of:		
Options over shares in Sonic Healthcare Limited (60% of value)	2,899,048	1,449,523
Performance rights over shares in Sonic Healthcare Limited (40% of value)	314,960	157,480

The LTI options and performance rights will vest (subject to performance conditions) and expire as follows:

% of total	Earliest Vesting Date*	Performance conditions measurement period	Expiry date
Up to 30%	18 November 2014	3 years to 30 June 2014	18 November 2016
Up to 30%	18 November 2015	4 years to 30 June 2015	18 November 2017
Up to 40%	18 November 2016	5 years to 30 June 2016	18 November 2018

* Options can only vest when the market price of Sonic shares is higher than the exercise price.

The number of options issued were determined based on a Black Scholes methodology valuation at the time of grant and the exercise price of the options was determined using the Volume Weighted five day Average market Price ("5 day VWAP") for Sonic shares preceding the date of grant. The valuation did not allow for any discount relating to performance conditions.

The number of performance rights issued was determined by dividing 40% of the maximum annual value of LTI by the 5 day VWAP for Sonic shares preceding the date of grant and multiplying by 5 years.

The options and performance rights are subject to challenging performance conditions designed to align the interests of the executives with those of shareholders. There are two separate performance conditions to be applied with a 50% weighting for each (that is, 50% of the options and 50% of the performance rights are subject to the first performance condition, and the other 50% of each are subject to the second performance condition). The performance conditions are as follows:

Performance Condition 1 ("PC1") – 50% weighting – Compound Average Growth Rate ("CAGR") in Return on Invested Capital ("ROIC")

CAGR ROIC	Percentage of Options and Rights that vest
Less than 3.0% p.a.	Nil options and rights to which PC1 applies
3.0% p.a.	30% of options and rights to which PC1 applies
Greater than 3.0% and less than 9.0% p.a.	Pro rata between 30% and 100% of options and rights to which PC1 applies
9.0% p.a. or greater	100% of options and rights to which PC1 applies

ROIC is calculated as Earnings before Interest and Tax ("EBIT") less related tax and minority interests divided by capital employed. Additional details regarding the calculation of ROIC are disclosed in the 2011 AGM section on Sonic's website. It is expressed as a percentage and the hurdle growth rates are growth in this percentage.

Growth in ROIC was chosen as a performance hurdle following the input of several of the Company's larger shareholders and potential shareholders who, along with the Board, believe that the Company's primary focus in coming years should be improvement in the return from the substantial investments the Company has made in its offshore markets.

Directors' Report

Remuneration Report (continued)

(d) Service agreements (continued)

(iii) Long Term Incentives ("LTI") (continued)

Performance Condition 2 ("PC2") – 50% weighting – Sonic's Total Shareholder Return ("TSR") against the S&P ASX 100 Accumulation Index, excluding Banks and Resource companies

TSR Target	Percentage of Options and Rights that vest
Below the 50th percentile	Nil options and rights to which PC2 applies
50th percentile	50% of options and rights to which PC2 applies
Greater than 50th and less than 75th percentile	Progressive scale of an additional 2% for each percentile increase
75th percentile and above	100% of options and rights to which PC2 applies

Under PC2, Sonic's performance is ranked by percentile according to its TSR against the TSRs of the component companies of the reference group (being the S&P ASX 100 Accumulation Index, excluding Bank and Resource companies) over the relevant performance periods (see above).

Relative TSR has been chosen as a performance hurdle as it provides a direct link between executive remuneration and shareholder return relative to the Company's peers. A relative measure is important, as it removes from the assessment broad market share price movements which are out of the control of the executives. The executives will not derive any value from the relevant portion of the LTI unless the Company's performance is at least at the median of the benchmark group.

Options and performance rights for which the performance conditions are not satisfied will be forfeited immediately after the performance measurement is finalised. There will be no retesting.

Should one of the executives cease employment with the Group prior to vesting of some or all of their LTI, the Board will have discretion based on whether the executive is judged to be a "good leaver" to enable the executive to retain the portion of the LTI which vests (subject to the performance conditions) within two years of cessation of employment. To be judged a "good leaver" the executive would need to provide sufficient notice, assist with succession planning and transition and make themselves reasonably available to assist/answer queries of their replacement for a period post employment. The Board views this arrangement to be in the best interests of the Company and its shareholders, as the executives will be incentivised to minimise disruption/loss of value associated with their departure. Cessation of employment in all other circumstances will trigger forfeiture of all unvested entitlements.

If a takeover bid or other public proposal is made for voting shares in the Company which the Board reasonably believes is likely to lead to a change of control:

- Within three years from grant – only options and rights with an earliest vesting date 3 years from grant would vest.
- Within the fourth year from grant – only options and rights with an earliest vesting date within 4 years from grant not previously forfeited would vest.
- Within the fifth year of grant – all options and rights not previously forfeited would vest.

Sonic Healthcare ordinary shares to be awarded on exercise/conversion of the options and performance rights may be satisfied by the issue of new shares or the purchase of shares on-market. Options and performance rights are not eligible for dividends.

None of the options or performance rights issued in November 2011 under the Employee Option Plan or Performance Rights Plan had vested or been forfeited at 30 June 2013.

Remuneration Report (continued)

(e) Securities trading policy

Under the Sonic Securities Trading Policy, all Sonic Healthcare employees are prohibited from buying or selling Sonic Healthcare securities (including shares, options, debt securities) at any time they are aware of any material price sensitive information that has not been made public, and are reminded of the laws against "insider trading".

Certain "Designated Officers", including all Directors and senior executives (and specified related parties), are also prohibited from trading in periods other than in 8 week windows following the release of half year and full year results, and 2 week periods following Sonic Healthcare's provision to the market at any time of definitive guidance regarding the next annual result to be released. Exceptions to this prohibition can be approved by the Chairman (for other Directors) or the Managing Director (for all other employees) in circumstances of severe financial hardship (as defined in the Policy). All trading by Designated Officers must be notified to the Company Secretary. Prohibitions also apply to trading in financial instruments related to Sonic Healthcare shares and to trading in the shares of other entities using information obtained through employment with Sonic. In addition the Managing Director and Finance Director are required to obtain approval from the Chair of the Sonic Board of Directors before selling any shares.

Designated Officers are prohibited from entering into transactions in products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. Designated Officers are required to commit to this by signing the Securities Trading Policy and will forfeit their equity reward should they be found to be in breach.

All Sonic Healthcare securities dealings by Directors are promptly notified to the Australian Securities Exchange (ASX) in accordance with Sonic's Continuous Disclosure obligations.

(f) Use of remuneration consultant

In 2011, Sonic Healthcare Limited's Remuneration and Nomination Committee employed the services of Aon Hewitt to review its existing remuneration policies and to provide recommendations in respect of both short-term and long-term incentive plan design. Under the terms of the engagement, Aon Hewitt provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid \$29,256 for these services. During 2013 Aon Hewitt provided additional analysis and recommendations in relation to reviews of base remuneration for executives and remuneration for Non-executive Directors, and was paid \$13,992 for these services.

Aon Hewitt has confirmed that all recommendations have been made free from undue influence by members of the Group's key management personnel.

The following arrangements were made to ensure the remuneration recommendations were free from undue influence:

- Aon Hewitt was engaged by, and reported directly, to the Chair of the Remuneration and Nomination Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration and Nomination Committee under delegated authority on behalf of the Board.
- The report containing the remuneration recommendations was provided by Aon Hewitt directly to the Chair of the Remuneration and Nomination Committee; and
- Aon Hewitt was permitted to speak to management throughout the engagement to understand Company processes, practices and other business issues and obtain management perspectives. However, Aon Hewitt was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

(g) Voting at the Company's 2012 Annual General Meeting

Over 97% of votes cast on poll on Sonic Healthcare Limited's Remuneration Report for the 2012 financial year were in favour.

Directors' Report

This report is made in accordance with a resolution of the Directors.



Dr C.S. Goldschmidt
Director



C.D. Wilks
Director

Sydney
25 September 2013

Auditor's Independence Declaration



As lead auditor for the audit of Sonic Healthcare Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sonic Healthcare Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Matthew Lunn', with a horizontal line underneath it.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
25 September 2013

Corporate Governance Statement

The Board of Sonic Healthcare continues to place great importance on the governance of the Company, which it believes is vital to its well-being and success. There are two elements to the governance of companies: performance and conformance. Both are important, but it is critical that focus on conformance does not detract from the principal function of a business, which is to undertake prudent activities to:

- generate rewards for shareholders who invest their capital,
- provide services of value to customers, and
- provide meaningful employment for employees,

and to do so in a way that contributes positively to the community.

In this framework, it is crucial that shareholders have clear visibility of the actions of the Group and that they can rely on reported financial information. The Sonic Board has committed itself to provide relevant, accurate information to shareholders on a timely basis and has adopted policies and procedures designed to ensure that the Group's financial reports are true and fair, meet high standards of disclosure integrity and provide all material information necessary to understand the Group's financial performance.

Sonic's Board and management are committed to governance which recognises that all aspects of the Group's operations are conducted ethically, responsibly and with the highest standards of integrity. The Board has adopted practices and policies designed to achieve these aims. Sonic supports the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (with 2010 Amendments) in advancing good corporate governance and has applied them during the year. Sonic's Board continues to review and improve Sonic's compliance with the Recommendations, implementing change in a prudent manner. Sonic's website (www.sonichealthcare.com) includes a Corporate Governance section which sets out the information required by the Recommendations plus other relevant information, including copies of all Policies, Charters and Codes referred to herein.

Sonic's Code of Ethics and Core Values (listed below) set out the fundamental principles that govern the way that all Sonic people conduct themselves. Sonic's Core Values apply equally to every employee of Sonic and were formulated with significant input from Sonic's staff. They have been embraced throughout the Group. Sonic's Core Values are:

- **Commit to Service Excellence**
To willingly serve all those with whom we deal with unsurpassed excellence.
- **Treat each other with Respect & Honesty**
To grow a workplace where trust, team spirit and equity are an integral part of everything we do.
- **Demonstrate Responsibility & Accountability**
To set an example, to take ownership of each situation to the best of our ability and to seek help when needed.
- **Be Enthusiastic about Continuous Improvement**
To never be complacent, to recognise limitations and opportunities for ourselves and processes and to learn through these.
- **Maintain Confidentiality**
With regard to patient records and all information pertaining to patients as well as other professional and commercial issues.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place throughout the year. Any issues of current non-compliance with the Recommendations are specifically noted and explained.

Corporate Governance Statement

1. Board of Directors

(a) Role of the Board

The Board of Directors is accountable to shareholders for the performance of the Company and the Group and is responsible for the corporate governance practices of the Group. The Board's principal objective is to increase shareholder value while ensuring that the Group's overall activities are properly managed.

Sonic's corporate governance practices provide the structure which enables the Board's principal objective to be achieved, whilst ensuring that the business and affairs of the Group are conducted ethically and in accordance with law.

The Board's overall responsibilities include:

- providing strategic direction and approving corporate strategies,
- monitoring management and financial performance and reporting,
- monitoring and ensuring the maintenance of adequate risk management identification, control and reporting mechanisms, and
- ensuring the business is conducted ethically and transparently.

The Board delegates authority for operational management of the business to the Managing Director and senior executives. The Managing Director also oversees the implementation of strategies approved by the Board. The Board uses a number of Committees to support it in matters that require more intensive review and involvement. Details of the Board Committees are provided below.

As part of its commitment to good corporate governance, the Board regularly reviews the practices and standards governing the Board's composition, independence and effectiveness, the accountability and compensation of Directors (and senior executives) and the Board's responsibility for the stewardship of the Group.

The role and responsibilities of the Board, the functions reserved for the Board and those delegated to management have been formalised in the Sonic Board Charter.

(b) Composition of the Board

The Directors of the Company in office at the date of this statement are:

Name	Age	Term of office (Years)	Position	Expertise	Committees
Mr Peter Campbell	68	20	Chairman, Non-executive, independent Director	Finance and accounting, information technology and company management	Member of Remuneration and Nomination Committee and Audit Committee
Dr Colin Goldschmidt	59	20	Managing Director	Healthcare industry and company management	Member of Risk Management Committee
Mr Chris Wilks	55	23	Finance Director	Finance, accounting, banking, secretarial and company management	Member of Risk Management Committee
Dr Philip Dubois	67	12	Executive Director	Radiology industry and company management	Member of Risk Management Committee
Mr Colin Jackson	65	13	Executive Director	Finance, pathology industry and company management	
Mr Lou Panaccio	56	8	Non-executive, independent Director	Finance, pathology industry and company management	Chair of Audit Committee and member of Remuneration and Nomination Committee
Ms Kate Spargo	61	3	Non-executive, independent Director	Law, governance and company oversight	Chair of Remuneration and Nomination Committee and member of Audit Committee
Dr Jane Wilson	55	3	Non-executive, independent Director	Medicine, finance, governance and company oversight	Chair of Risk Management Committee and member of Remuneration and Nomination Committee

Corporate Governance Statement

1. Board of Directors (continued)

(b) Composition of the Board (continued)

Profiles of the Directors are included in the Directors' Report.

The composition of Sonic's Board is consistent with the principle of medical management and leadership, which has been a core strategy of Sonic since 1992. Sonic's Managing Director is a qualified pathologist, and the Board also includes a radiologist and a general practitioner, ensuring that it has the capacity to understand complex medical issues and be in close touch with the medical marketplace. The presence of medical practitioners on Sonic's Board also gives comfort both to referring doctors (Sonic's customers) and to owners of diagnostic practices which Sonic seeks to acquire. This strategy has resulted in a Board which has a relatively high proportion of Executive Directors.

Dr Dubois and Mr Jackson were appointed to the Board following acquisitions of practices in which they held leadership positions. Their presence on the Board has played an important role in consolidating several of the larger independent practices acquired by Sonic into a cohesive group.

In addition, the Sonic Board comprises members with a diverse mix of business skills, including industry specific management skills and experience, and broader management experience, finance and legal skills and expertise in corporate governance.

Sonic's Non-executive Directors, including the Chairman, are considered independent and perform major roles in the Board Committees.

For the reasons described above Sonic does not comply with ASX Corporate Governance Council Recommendation 2.1: "A majority of the board should be independent directors". The Board currently comprises four independent and four Executive Directors.

The Board has resolved that the position of Chairman of the Board be held by an independent Director, and the position of Chairman and Managing Director will be held by different persons. The Board has also resolved that, in its view, the mere fact that a Director has been in office for a period greater than 10 years does not change that Director's status as an independent. The Board has specifically considered the position of Mr Peter Campbell and is of the view that he continues to be independent.

The size and composition of the Board is determined by the full Board acting on recommendations of the Remuneration and Nomination Committee. Sonic's constitution requires that the Board comprise no more than 12 and no fewer than 3 Directors at any time. Sonic's constitution also requires all Directors, other than the Managing Director, to offer themselves for re-election at an AGM, such that they do not hold office without re-election for longer than three years.

(c) Board meetings

The Board meets formally at least 10 times a year to consider a broad range of matters, including strategy, financial performance reviews, capital management and acquisitions. Details of meetings (both full Board and Committees) and attendances are set out in the Directors' Report.

(d) Independent professional advice and access to information

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required, which is not unreasonably withheld.

All Directors have unrestricted access to Company records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required and may consult with other employees and seek additional information on request.

(e) Conflicts of interest of Directors

The Board has guidelines dealing with disclosure of interests by Directors and participation and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board does not receive the relevant Board papers, must not be present when the matter is being considered, and may not vote on the matter.

Corporate Governance Statement

1. Board of Directors (continued)

(f) Securities trading

Under Sonic's Securities Trading Policy, all Sonic employees are prohibited from buying or selling or otherwise trading Sonic Healthcare securities (including shares, options, debt securities) at any time they are aware of any material price sensitive information that has not been made public, and are reminded of the laws against "insider trading". Certain "Designated Officers", including all Directors and senior executives (and specified related parties), are also prohibited from trading in periods other than in 8 week windows following the release of half year and full year results, and 2 week periods following the provision to the market at any time by Sonic of definitive guidance regarding the next annual result to be released. Exceptions to this prohibition can be approved by the Chairman (for other Directors) or the Managing Director (for all other employees) in circumstances of severe financial hardship (as defined in the Policy). All trading by Designated Officers must be notified to the Company Secretary. Prohibitions also apply to trading in financial instruments related to Sonic's securities, including products which limit the economic risk of option or share holdings in Sonic, and to trading in the securities of other entities using information obtained through employment with Sonic. In addition, the Managing Director and Finance Director are required to obtain approval from the Chair of the Sonic Board before selling any shares. All Sonic securities dealings by Directors are promptly notified to the Australian Securities Exchange (ASX).

(g) Remuneration of Non-executive Directors

The current maximum total remuneration that may be paid to all Non-executive Directors is \$1,000,000 per annum, as approved by shareholders in November 2010. The total amount paid to Non-executive Directors in the 2013 financial year was \$560,000. Options are not issued and bonuses are not payable to Non-executive Directors. No retirement benefit schemes (other than statutory superannuation) apply to Non-executive Directors. Further details of Sonic's remuneration policies for Executive Directors and senior executives of the Company, and the relationship between such policy and the Company's performance are provided in the Directors' Report.

2. Board Committees

To assist the Board in fulfilling its duties, there are currently three Board Committees whose terms of reference and powers are determined by the Board. Details of Committee meetings and attendances are set out in the Directors' Report.

(a) Audit Committee

Members of the Audit Committee are:

- Mr L.J. Panaccio (Chair)
- Mr R.P. Campbell
- Ms K.D. Spargo

The Charter requires that the Audit Committee comprises between three and six members, all of whom must be independent Directors, and that the Chair of the Committee is not to be the Chair of the Sonic Board.

The principal role of the Audit Committee is to provide the Board, investors, owners and stakeholders with confidence that the financial reports for the Company represent a true and fair view of the Company's financial condition and operational results in all material respects, and are in accordance with relevant accounting standards.

The responsibilities of the Audit Committee are set out in its Charter and include:

- assisting the Board in its oversight responsibilities by monitoring and advising on:
 - the integrity of the financial statements of the Company,
 - the Company's accounting policies and practices in accordance with current and emerging accounting standards,
 - the external auditors' independence and performance,
 - compliance with legal and regulatory requirements and related policies,
 - compliance with the policy framework in place from time to time, and
 - internal controls, and the overall efficiency and effectiveness of financial operations.
- providing a forum for communication between the Board, executive management and external auditors.
- providing a conduit to the Board for external advice on audit and internal controls.

The external auditors, the Managing Director and the Finance Director are invited to Audit Committee meetings at the discretion of the Committee.

Corporate Governance Statement

2. Board Committees (continued)

(a) Audit Committee (continued)

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year, and more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chair of the Audit Committee or the Chair of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

(b) Risk Management Committee

Members of the Risk Management Committee are:

- Dr E.J. Wilson (Chair)
- Dr C.S. Goldschmidt
- Dr P.J. Dubois
- Mr C.D. Wilks

The Risk Management Committee's responsibilities are set out in its Charter and include:

- assisting the Board in its oversight responsibilities by monitoring and advising on:
 - the identification and management of risks, including but not limited to:
 - › business risks, including financial and strategic risks,
 - › operational risks, including business continuity and practice management risks,
 - › insurable risks including legal liability claims and property losses,
 - › hazard risks including environmental and OH&S risks.
 - internal controls and treatments for identified risks including the Company's insurance program.
 - the Company's overall risk management program.
- providing a forum for communication between the Board, management and external risk management advisors.
- providing a conduit to the Board for external advice on risk management.

The Committee meets at least twice per year.

(c) Remuneration and Nomination Committee

Members of the Remuneration and Nomination Committee are:

- Ms K.D. Spargo (Chair)
- Mr R.P. Campbell
- Mr L.J. Panaccio
- Dr E.J. Wilson

The Charter requires that the Remuneration and Nomination Committee comprises at least three members, all of whom are to be independent Directors.

The Remuneration and Nomination Committee operates under a formal Charter and meets on an as required basis. The Remuneration and Nomination Committee's role, as set out in its Charter, is to:

- review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director, Finance Director and Non-executive Directors,
- advise the Board in relation to equity-based incentive schemes for other employees,
- ensure appropriate disclosure is provided to shareholders in relation to remuneration policies and that equity-based remuneration is within plans approved by shareholders,
- review the Board and Board Committee structures,
- advise the Board on the recruitment, appointment and removal of Directors,
- assess and promote the enhancement of competencies of Directors,
- review Board succession plans,
- make recommendations to the Board in relation to workforce and Board diversity and measurable objectives in relation to gender diversity, and monitor progress toward achievement of those objectives.

Corporate Governance Statement

2. Board Committees (continued)

(c) Remuneration and Nomination Committee (continued)

When reviewing Board succession plans or as part of identifying the need for an additional Director, the Committee reviews the skills matrix of the Board to determine any gaps in the skills, experience and expertise of the existing Directors. In addition, the level of diversity of the Board is also assessed. The Committee and Board are of the view that the current skills matrix and level of diversity are appropriate and will seek to maintain at least these levels.

When seeking to recruit a Director, the Committee, on behalf of the Board, conducts a search for potential candidates using professional networks and referrals and, if considered necessary, professional recruitment agencies. Candidates are subject to a number of interviews, resumes and references are checked, and skillsets are examined versus the perceived need. Medical qualifications, industry experience and enhancement of Board diversity are important criteria. Potential existing or foreseeable future conflicts of interest are also considered.

The Remuneration and Nomination Committee, when deemed necessary, directly obtains independent advice on the appropriateness of remuneration.

3. Approach to diversity

As a medical diagnostic company, Sonic Healthcare's business relies on the services provided to referrers and patients by thousands of Sonic staff every day. In addition, in seeking to continually improve Sonic's services and financial performance, the Company relies on the input and expertise of its many managers, pathologists, radiologists, other medical practitioners and staff. It is therefore critical that Sonic's workforce brings a broad range of experiences, talents and viewpoints to the business. Diversity is valued as it assists the Company to meet its objectives, and ensures that Sonic's people reflect our customers and the communities we serve.

Sonic Healthcare strives to maintain a healthy, safe and productive environment which is free from discrimination and harassment based on race, colour, religion, gender, sexual orientation, age, national origin or disability. In addition, the Company is committed to the continued development and implementation of initiatives to remove barriers that disadvantage any person or group such that everyone is able to compete on equal terms. Within Sonic, recruitment, development, promotion and remuneration are based on merit. These principles are an integral part of Sonic's corporate culture, and are encapsulated in the Sonic Core Values and the Company's Diversity Policy.

The Remuneration and Nomination Committee of the Sonic Board recommends annually measurable objectives for promoting and maintaining gender diversity and measures and reports on progress towards achievement of those objectives. The CEO has discretion with regard to the specific initiatives to be implemented by management to achieve the objectives.

The proportion of female employees to total employees within the Group at 30 June 2013 was:

	2013	2012
Non-executive Directors of Sonic Healthcare Limited	50%	50%
Directors of Sonic Healthcare Limited	25%	25%
Executive staff of the Group	34%	32%
Other senior leadership positions	53%	50%
Total senior leadership positions*	50%	46%
All employees	77%	77%

* Includes Directors, executive staff and other senior leadership positions.

The Company's current objective in relation to gender diversity is to monitor and maintain the percentage of females in senior leadership positions at a level greater than 40%. This objective was achieved in 2013.

Corporate Governance Statement

4. Identifying and managing business risks

Sonic recognises that risk management is an integral part of good management and corporate governance practice and is fundamental to driving shareholder value across the business.

Sonic views the management of risk as a core managerial capability. Risk management is strongly promoted internally and forms part of the performance evaluation of key executives.

(a) Responsibilities

The Board determines the overall risk profile of the business and is responsible for monitoring and ensuring the maintenance of adequate risk management policies, controls and reporting mechanisms.

To assist the Board in fulfilling its duties, it is aided by the Audit Committee and the Risk Management Committee. The Board has delegated to these Committees responsibility for ensuring:

- the Company's material business risks, including strategic, financial, operational and compliance risks, are identified,
- systems are in place to assess, manage, monitor and report on those risks, and that those systems are operating effectively,
- management compliance with Board approved policies,
- internal controls are operating effectively across the business, and
- all Group companies are in compliance with laws and regulations relating to their activities.

The Audit Committee and Risk Management Committee update the Board on all relevant matters.

Management is responsible for the identification, assessment and management of business risks. During the year, management reported on these matters, including the effectiveness of the management of Sonic's material business risks, to the Audit Committee and Risk Management Committee, who then reported these matters to the Board.

(b) Risk management policies, systems and processes

Sonic's activities across all of its operating entities are subject to regular review and continuous oversight by executive management and the Board Committees. The Chief Executive Officers of the individual operating companies are responsible for the identification and management of risk within their business. To assist in this, executive management has developed an effective control environment to help manage the significant risks to its operations, both locally and overseas. This environment includes the following components:

- clearly defined management responsibilities, management accountabilities and organisational structures,
- established policies and procedures that are widely disseminated to, and understood by, employees,
- regular internal review of policy compliance and the effectiveness of systems and controls, in particular, through Sonic's Business Assurance Program, an internal audit function,
- comprehensive training programs for staff in relation to operational practices and compliance requirements,
- strong management reporting framework for both financial and operational information,
- creation of an open culture to share risk management information and to continuously improve the effectiveness of Sonic's risk management approach,
- benchmarking across operations to share best practice and further reduce the operational risk profile,
- Sonic Core Values, a unifying code of conduct embraced by Sonic employees,
- centrally administered Group insurance program ensuring a consistent and adequate approach across all operating areas, and
- the ongoing engagement of a professional Risk Manager to co-ordinate the Company's approach to material business risk management.

(c) Regulatory compliance

Sonic's pathology, radiology and medical centre activities are subject to Commonwealth and State law in Australia, and similar regulatory control in offshore locations. These laws cover such areas as laboratory and collection centre operations, workplace health and safety, radiation safety, privacy of information and waste management.

Sonic's network of pathology laboratories, collection centres and radiology centres are required to meet and remain compliant with set performance criteria determined by government and industry bodies.

To support this, Sonic's operating policies and procedures are overseen by internal quality assurance and workplace health and safety managers who review operational compliance.

Corporate Governance Statement

4. Identifying and managing business risks (continued)

(c) Regulatory compliance (continued)

In addition, practising pathologists and radiologists are required to be registered and licensed in accordance with Medical Board and Government regulations. The accreditation and licensing of locations, equipment and personnel is subject to regular, random audits by Government experts and medical peer groups. Sonic also undertakes internal reviews to ensure continued best practice and compliance.

Sonic's established procedures, focus on best practice, medical leadership model, structured staff training and the external review activities serve to mitigate operational risk and support regulatory compliance.

(d) Managing Director and Finance Director certification

Sonic has adopted a policy requiring the Managing Director and the Finance Director to provide the Board with written certification in relation to its financial reporting processes. For the 2013 financial year, the Managing Director and Finance Director made the following certifications:

- that the financial records of the Company have been properly maintained,
- that the financial statements and notes comply in all material respects with the accounting standards,
- that the financial statements and notes give a true and fair view, in all material respects, of the Company's financial condition and operational results, and
- that the statements above are founded on a sound system of risk management and internal control which operates effectively in all material respects in relation to financial reporting risks.

5. Ethical standards

The Company has a Code of Ethics policy that outlines the standards required so that the Directors and management conduct themselves with the highest ethical standards. All employees of the Company and its controlled entities are informed of the Code. The Directors regularly review this Code to ensure it reflects best practice in corporate governance. The Code is further supported by the Sonic Core Values.

6. Continuous disclosure

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Sonic has formalised its policies and procedures on information disclosure in a Policy on Continuous Disclosure. The Policy focuses on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities, and sets out management's responsibilities and reporting procedures in this regard.

All information disclosed to the ASX is then immediately posted on the Company's website. Presentations to analysts on aspects of the Company's operations are released to the ASX and posted on the Company's website.

7. The role of shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders as follows:

- the Annual Report is available to all shareholders on the Company's website and is distributed to those shareholders who elect to receive it. The Board ensures that the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of likely future developments, in addition to the other disclosures required by law; and
- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders.

To further facilitate communication with shareholders, the Company has established electronic shareholder communication processes via its Share Registry. Shareholders are able to access online Annual Reports, notices of meetings, proxy forms and voting, and receive electronic statements (e.g. holding statements) by email. The Company has an arrangement with eTree by which it donates \$1 to Landcare Australia for each new shareholder email address recorded.

Corporate Governance Statement

7. The role of shareholders (continued)

Where possible the Company provides advance notice of significant group briefings, including for the half and full year results announcements, by publishing details on the Company website and extending open invitations. Telephone dial-in details are generally made available. Records are kept of group and one-on-one briefings with investors and analysts.

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are responsible for voting on the appointment of Directors.

8. External auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. Sonic requires its external auditor to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the auditor's report. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

9. Performance evaluation of the Board, its Committees and Directors, and key executive officers

(a) The Board and its Committees

The Board carries out an annual evaluation of its own performance in meeting its key responsibilities in accordance with the Board Charter, by undertaking the following activities:

- the Chairman discusses with each Director their individual performance and ideas for improvement based on surveys completed by each Director assessing their own and each other Directors' performance, and
- the Board as a whole discusses and analyses its own performance, including suggestions for change or improvement and assessment of the extent to which the Board has discharged its responsibilities as set out in the Board Charter.

The performance review covers matters such as contribution to strategy development, interaction with management, operation and conduct of meetings, and specific performance objectives for the year ahead.

The Board also obtains feedback on its performance and operations from key people such as the external auditors.

Each Committee of the Board is required to undertake an annual performance evaluation and report the results of this review to the Board.

Performance evaluation results are discussed by the Board, and initiatives are undertaken, where appropriate, to strengthen the effectiveness of the Board's operation and that of its Committees. The Board periodically reviews the skills, experience and expertise of its Directors and its practices and procedures for both the present and future needs of the Company.

(b) The Managing Director and Finance Director

The performances of the Managing Director and Finance Director are formally reviewed by the Board. The performance criteria include:

- economic results of the Group,
- fulfilment of objectives and duties,
- personnel and resource management,
- promotion of and adherence to Sonic Core Values, Foundation Principles, Federation model and the concept of medical leadership,
- corporate governance and compliance,
- risk management,
- external standing and reputation (including stakeholder management, brand and quality), and
- additionally for the Finance Director, financial leadership and innovation.

Performance evaluation results are considered by the Remuneration and Nomination Committee in determining the level and structure of remuneration for the Managing Director and Finance Director.

(c) Key executives

The Managing Director evaluates key executives at least annually with qualitative and quantitative measures against agreed business and personal objectives. These business and personal objectives are consistent with those used in the performance reviews for the Managing Director and Finance Director.



Concise Financial Report 30 June 2013

Sonic Healthcare Limited ABN 24 004 196 909

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Independent Auditor's Report to the Members
of Sonic Healthcare Limited

The Concise Financial Report is an extract from the full Financial Report for the year ended 30 June 2013. The financial statements and specific disclosures included in the Concise Financial Report have been derived from the full Financial Report.

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Sonic Healthcare Limited and its controlled entities as the full Financial Report. Further financial information can be obtained from the full Financial Report.

The full Financial Report and auditor's report can be accessed via the internet on our website: www.sonichealthcare.com. Alternatively, members can call +61 2 9855 5444 and request a copy of the full Financial Report and auditor's report, which will be sent free of charge.

Consolidated Income Statement

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Total revenue	3	3,484,073	3,345,616
Labour and related costs		(1,608,127)	(1,522,717)
Consumables used		(525,231)	(524,710)
Operating lease rental expense		(191,225)	(175,341)
Depreciation and amortisation of physical assets		(114,616)	(110,497)
Transportation		(93,023)	(89,900)
Utilities		(85,999)	(79,707)
Repairs and maintenance		(78,665)	(74,010)
Borrowing costs expense		(65,147)	(76,964)
Amortisation of intangibles		(26,399)	(21,557)
Other expenses from ordinary activities		(252,401)	(252,285)
Profit from ordinary activities before income tax expense		443,240	417,928
Income tax expense		(103,572)	(100,243)
Profit from ordinary activities after income tax expense		339,668	317,685
Net (profit) attributable to minority interests		(4,670)	(1,689)
Profit attributable to members of Sonic Healthcare Limited		334,998	315,996

		Cents	Cents
Basic earnings per share	6	84.8	81.1
Diluted earnings per share	6	84.3	80.7

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	2013 \$'000	2012 \$'000
Profit from ordinary activities after income tax expense	339,668	317,685
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	133,745	(18,342)
Cash flow hedges	3,304	2,172
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial (losses) on retirement benefit obligations	(73)	(2,620)
Other comprehensive income for the period, net of tax	136,976	(18,790)
Total comprehensive income for the period	476,644	298,895
Total comprehensive income attributable to:		
– Members of Sonic Healthcare Limited	468,718	297,227
– Minority interests	7,926	1,668
	476,644	298,895

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2013

	2013 \$'000	2012 \$'000
Current assets		
Cash and cash equivalents	219,729	168,594
Receivables	536,446	447,775
Inventories	61,595	55,701
Assets classified as held for sale	-	9,336
Other	34,695	33,350
Total current assets	852,465	714,756
Non-current assets		
Receivables	2,982	2,712
Other financial assets	64,357	50,028
Property, plant and equipment	658,727	561,371
Investment properties	-	20,847
Intangible assets	3,913,374	3,549,247
Deferred tax assets	26,303	29,787
Other	18	57
Total non-current assets	4,665,761	4,214,049
Total assets	5,518,226	4,928,805
Current liabilities		
Payables	306,741	277,268
Interest bearing liabilities	521,225	516,388
Current tax liabilities	44,943	44,877
Provisions	146,563	131,478
Other financial liabilities	2,665	8,737
Other	2,502	2,687
Total current liabilities	1,024,639	981,435
Non-current liabilities		
Interest bearing liabilities	1,437,352	1,223,287
Deferred tax liabilities	74,145	56,445
Provisions	41,875	37,526
Other	22,114	19,913
Total non-current liabilities	1,575,486	1,337,171
Total liabilities	2,600,125	2,318,606
Net assets	2,918,101	2,610,199
Equity		
Parent Company interest		
Contributed equity	2,468,102	2,379,525
Reserves	(111,131)	(229,478)
Retained earnings	537,913	439,454
Total Parent Company interest	2,894,884	2,589,501
Minority interests	23,217	20,698
Total equity	2,918,101	2,610,199

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Minority interests \$'000	Total \$'000
Balance at 1 July 2011	2,345,584	(187,356)	356,160	2,514,388	2,047	2,516,435
Profit for period	-	-	315,996	315,996	1,689	317,685
Other comprehensive income for the period	-	(16,149)	(2,620)	(18,769)	(21)	(18,790)
Total comprehensive income for the period	-	(16,149)	313,376	297,227	1,668	298,895
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(230,082)	(230,082)	-	(230,082)
Shares issued	27,942	(6,222)	-	21,720	-	21,720
Transfers to share capital	5,999	(5,999)	-	-	-	-
Share based payments	-	3,699	-	3,699	-	3,699
Minority interests on acquisition of subsidiary	-	(17,451)	-	(17,451)	17,912	461
Dividends paid to minority interests	-	-	-	-	(929)	(929)
Balance at 30 June 2012	2,379,525	(229,478)	439,454	2,589,501	20,698	2,610,199
Balance at 1 July 2012	2,379,525	(229,478)	439,454	2,589,501	20,698	2,610,199
Profit for period	-	-	334,998	334,998	4,670	339,668
Other comprehensive income for the period	-	133,793	(73)	133,720	3,256	136,976
Total comprehensive income for the period	-	133,793	334,925	468,718	7,926	476,644
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(236,466)	(236,466)	-	(236,466)
Shares issued	80,715	(10,964)	-	69,751	-	69,751
Transaction costs on shares issued net of tax	(72)	-	-	(72)	-	(72)
Transfers to share capital	7,934	(7,934)	-	-	-	-
Share based payments	-	3,452	-	3,452	-	3,452
Dividends paid to minority interests	-	-	-	-	(5,407)	(5,407)
Balance at 30 June 2013	2,468,102	(111,131)	537,913	2,894,884	23,217	2,918,101

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

For the year ended 30 June 2013

	2013 \$'000	2012 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	3,454,247	3,371,854
Payments to suppliers and employees (inclusive of goods and services tax)	(2,851,195)	(2,750,813)
	603,052	621,041
Interest received	2,583	2,817
Borrowing costs	(59,596)	(72,512)
Income taxes paid	(86,580)	(64,588)
Net cash inflow from operating activities	459,459	486,758
Cash flows from investing activities		
Payment for purchase of controlled entities, net of cash acquired	(53,600)	(152,450)
Payments for property, plant and equipment	(172,654)	(137,154)
Proceeds from sale of non-current assets	27,033	7,950
Payments for investments	(4,679)	(15,714)
Payments for intangibles	(57,314)	(40,863)
Repayment of loans by other entities	4,188	3,947
Loans to other entities	(1,558)	(1,452)
Net cash (outflow) from investing activities	(258,584)	(335,736)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities (net of transaction costs and related taxes)	32,868	21,720
Proceeds from borrowings	658,297	393,369
Repayment of borrowings	(661,568)	(338,193)
Dividends paid to Company's shareholders	(199,583)	(230,082)
Dividends paid to minority interests in subsidiaries	(5,165)	(926)
Net cash (outflow) from financing activities	(175,151)	(154,112)
Net increase/(decrease) in cash and cash equivalents	25,724	(3,090)
Cash and cash equivalents at the beginning of the financial year	168,594	174,687
Effects of exchange rate changes on cash and cash equivalents	25,411	(3,003)
Cash and cash equivalents at the end of the financial year	219,729	168,594

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Concise Financial Statements

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This Concise Financial Report relates to the Group consisting of Sonic Healthcare Limited and the entities it controlled at the end of, or during, the year ended 30 June 2013. The accounting policies adopted have been consistently applied to all years presented.

Notes to the Consolidated Concise Financial Statements

Note 1 Presentation currency

The presentation currency used in this Concise Financial Report is Australian dollars.

Note 2 Segment information

Business segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (the chief operating decision makers) in assessing performance and determining the allocation of resources. The internal reports use a "Constant Currency" basis for reporting revenue and EBITA with foreign currency elements restated using the relevant prior period average exchange rates. The segment revenue and EBITA have therefore been presented using Constant Currency.

The operating segments are identified by management based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Chief Executive Officer and the Board of Directors on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return. The Group has the following reportable segments.

(i) Pathology

Pathology/clinical laboratory services provided in Australia, New Zealand, the United Kingdom, the United States of America, Germany, Switzerland, Belgium and Ireland.

(ii) Radiology

Radiology and diagnostic imaging services provided in Australia and New Zealand.

(iii) Other

Includes the corporate office function, medical centre operations and occupational health services (IPN), and other minor operations.

Notes to the Consolidated Concise Financial Statements

Note 2 Segment information (continued)

Business segments (continued)

2013	Pathology \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Total \$'000
Revenue (Constant Currency)					
External sales	2,763,989	403,042	332,950	-	3,499,981
Inter-segment sales	504	227	7,848	(8,579)	-
Total segment revenue (Constant Currency)	2,764,493	403,269	340,798	(8,579)	3,499,981
Currency exchange rate movements	(19,008)	517	-	-	(18,491)
Total segment revenue (Statutory)	2,745,485	403,786	340,798	(8,579)	3,481,490
Interest income					2,583
Total revenue					3,484,073
Result					
Segment result (Constant Currency)	471,650	53,224	12,241	-	537,115
Currency exchange rate movements	(5,044)	132	-	-	(4,912)
Segment result (Statutory)	466,606	53,356	12,241	-	532,203
Amortisation of intangibles					(26,399)
Unallocated net interest expense					(62,564)
Profit before tax					443,240
Income tax expense					(103,572)
Profit after income tax expense					339,668
Depreciation	68,598	30,418	15,600	-	114,616
Other non-cash expenses	17,815	1,011	5,091	-	23,917

Notes to the Consolidated Concise Financial Statements

Note 2 Segment information (continued)

Business segments (continued)

2012	Pathology \$'000	Radiology \$'000	Other \$'000	Eliminations \$'000	Total \$'000
Revenue					
External sales	2,659,470	384,180	299,149	-	3,342,799
Inter-segment sales	511	178	6,741	(7,430)	-
Total segment revenue	2,659,981	384,358	305,890	(7,430)	3,342,799
Interest income					2,817
Total revenue					3,345,616
Result					
Segment result	466,495	44,710	2,427	-	513,632
Amortisation of intangibles					(21,557)
Unallocated net interest expense					(74,147)
Profit before tax					417,928
Income tax expense					(100,243)
Profit after income tax expense					317,685
Depreciation	64,651	31,962	13,884	-	110,497
Other non-cash expenses	3,630	1,351	5,700	-	10,681

Geographical information

	Revenues from sales to external customers [*]		Non-current assets [^]	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Australia	1,780,219	1,662,700	1,820,984	1,720,129
United States of America	748,758	765,496	1,303,587	1,167,853
Germany	565,238	541,520	762,970	625,145
Other	387,275	373,083	751,917	671,135
Total	3,481,490	3,342,799	4,639,458	4,184,262

* Note that changes between years are affected by exchange rate movements and the timing of business acquisitions.

[^] Note that this includes all non-current assets other than financial instruments and deferred tax assets.

Notes to the Consolidated Concise Financial Statements

Note 3 Revenue

	2013 \$'000	2012 \$'000
Services revenue		
Medical services revenue	3,425,112	3,292,187
Other revenue		
Government grants	29,507	22,242
Interest received or due and receivable	2,583	2,817
Rental income	12,809	12,983
Other revenue	14,062	15,387
	58,961	53,429
Revenue from operations	3,484,073	3,345,616

Note 4 Dividends

	2013 \$'000	2012 \$'000
Total dividends paid on ordinary shares during the year		
Final dividend for the year ended 30 June 2012 of 35 cents (2011: 35 cents) per share paid on 9 October 2012 (2011: 21 September 2011), 45% (2011: 28%) franked	137,427	136,489
Interim dividend for the year ended 30 June 2013 of 25 cents (2012: 24 cents) per share paid on 21 March 2013 (2012: 22 March 2012), 45% (2012: 35%) franked	99,039	93,593
	236,466	230,082
Dividends not recognised at year end		
In addition to the above dividends, since year end the Directors declared a final dividend of 37 cents (2012: 35 cents) per ordinary share, franked to 45% (2012: 45%) based on tax paid at 30%. The aggregate amount of the final dividend paid on 24 September 2013 out of retained earnings at the end of the year, but not recognised as a liability is:	148,056	137,427
Franked dividends		
The 2013 final dividend declared after the year end was 45% franked out of existing franking credits and out of franking credits arising from the payment of income tax in the year ending 30 June 2014.		
Franking credits available at the year end for subsequent financial years based on a tax rate of 30%	27,498	20,607

The consolidated amounts include franking credits that would be available if distributable profits of subsidiaries not part of the Australian tax group were paid as dividends.

Dividend Reinvestment Plan ("DRP")

The DRP was in operation for the final dividend for the year ended 30 June 2012 but suspended in respect of the interim dividend for the year ended 30 June 2013 and 30 June 2012, the final dividend for 2013 and until further notice.

Notes to the Consolidated Concise Financial Statements

Note 5 Business combinations

Acquisition of subsidiaries/business assets

Acquisitions in the period included:

- Western Australian pathology business of Healthscope on 18 October 2012.
- Two small synergistic laboratory acquisitions in Germany completed in July 2012.
- A number of businesses acquired by IPN.

The contribution these acquisitions made to the Group's profit during the period was immaterial individually and in total. It is impracticable to determine the contribution these immaterial acquisitions made to the net profit of the Group during the period, and what they are likely to contribute on an annualised basis, as the majority of the acquisitions were integrated with other entities in the Group. The accounting for these business combinations has been finalised at the date of this report.

The aggregate cost of the acquisitions, the values of the identifiable assets and liabilities, and the goodwill arising on acquisition are detailed below.

	Total \$'000
Consideration – cash paid	47,678
Less: Cash of entities acquired	(212)
	47,466
Deferred consideration	4,837
Total consideration	52,303
Fair value of identifiable net assets of subsidiaries/businesses acquired:	
Debtors & other receivables	1,163
Prepayments	27
Inventory	480
Deferred tax assets	2,853
Property, plant & equipment	3,764
Identifiable intangibles	393
Trade payables	(203)
Sundry creditors and accruals	(497)
Current tax liabilities	(7)
Provisions	(1,913)
	6,060
Goodwill	46,243

The goodwill arising from the business combinations is attributable to their reputation in the local market, the benefit of marginal profit and synergies expected to be achieved from integrating the business with existing operations, expected revenue growth, future market development, the assembled workforce and knowledge of local markets. These benefits are not able to be individually identified or recognised separately from goodwill. \$7,996,000 of the purchased goodwill recognised is expected to be deductible for income tax purposes, over a fifteen year period.

The purchase price for the Western Australian pathology business includes a performance based earn-out of up to \$1,780,000 payable within twelve months of the acquisition date.

Acquisition-related costs of \$2,780,000 are included in other expenses in the Income Statement. The fair value of acquired debtors and other receivables is \$1,163,000. The gross contractual amount due is \$1,163,000, of which \$nil is expected to be uncollectable.

There were no subsequent changes to the accounting for the business combinations in the 2012 financial year from those included in the 2012 financial statements.

Notes to the Consolidated Concise Financial Statements

Note 6 Earnings per share

	2013 Cents	2012 Cents
Basic earnings per share	84.8	81.1
Diluted earnings per share	84.3	80.7

	2013 Shares	2012 Shares
Weighted average number of ordinary shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	394,918,728	389,835,777
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	397,601,897	391,769,391

Options over ordinary shares are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

Details of the options exercised and issued in the period between the reporting date and the date of this report are detailed in Note 7.

	2013 \$'000	2012 \$'000
Reconciliations of earnings used in calculating earnings per share		
Net profit	339,668	317,685
Net (profit) attributable to minority interests	(4,670)	(1,689)
Earnings used in calculating basic and diluted earnings per share	334,998	315,996

Notes to the Consolidated Concise Financial Statements

Note 7 Share options

(a) Shares under options

Unissued ordinary shares of Sonic Healthcare Limited under option at the date of this report are as follows:

(i) Sonic Healthcare Limited Employee Option Plan

Grant date	Expiry date	Exercise price of options*	Number of options at date of report
27/03/09	27/01/14	\$11.10	402,000
10/06/10	10/04/15	\$10.57	540,000
03/03/11	03/01/16	\$11.13	340,000
18/11/11	18/11/16	\$11.43	1,341,058
18/11/11	18/11/17	\$11.43	1,302,250
18/11/11	18/11/18	\$11.43	1,705,263
20/02/12	20/12/16	\$11.14	600,000
07/03/12	07/03/17	\$11.14	500,000
07/03/12	07/03/19	\$11.14	1,000,000
02/07/12	02/07/19	\$12.57	300,000
09/08/13	09/08/20	\$14.50	100,000
Total			8,130,571

* The issue price of shares held under option is either the exercise price of the option or the market price of Sonic shares at the date of exercise.

The above options granted are able to be exercised subject to the following vesting periods:

- Up to 50% may be exercised after 30 months from the date of grant
- Up to 75% may be exercised after 42 months from the date of grant
- Up to 100% may be exercised after 54 months from the date of grant

Options granted under the plan expire after 58 months and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

The grants of options on 7 March 2012, 2 July 2012 and 9 August 2013 are subject to different vesting and expiry periods. For the options granted on 7 March 2012 up to 500,000 options are exercisable from 7 March 2015 until expiry on 7 March 2017. Up to a further 1,000,000 options are exercisable from 7 March 2017 until expiry on 7 March 2019. Options granted on 2 July 2012 which satisfy the vesting conditions will be exercisable from 2 July 2017 until expiry on 2 July 2019. Options granted on 9 August 2013 which satisfy the vesting conditions will be exercisable from 9 August 2018 until expiry on 9 August 2020.

The performance options granted on 18 November 2011 relate to the Long Term Incentive component of the revised remuneration arrangements for Dr C.S. Goldschmidt and C.D. Wilks for the five year period commencing from 1 July 2011. The vesting conditions attached to the options are as detailed in the Remuneration Report.

Notes to the Consolidated Concise Financial Statements

Note 7 Share options (continued)

(a) Shares under options (continued)

(ii) Sonic Healthcare Limited Performance Rights Plan

Performance rights are granted under the Sonic Healthcare Limited Performance Rights Plan for no consideration and carry no dividend or voting rights. When exercisable, each performance right is convertible into one ordinary share. No rights holder has any right to participate in any other share issue of the Company or of any other entity.

The performance rights granted on 18 November 2011 relate to the Long Term Incentive component of the revised remuneration arrangements for Dr C.S. Goldschmidt and C.D. Wilks for the five year period commencing from 1 July 2011. The vesting conditions attached to the performance rights are as detailed in the Remuneration Report.

Grant date	Expiry date	Exercise price of rights	Number of rights at date of report
18/11/11	18/11/16	Nil	141,732
18/11/11	18/11/17	Nil	141,732
18/11/11	18/11/18	Nil	188,976
Total			472,440

(b) Shares issued on the exercise of options up to the date of this report

(i) Sonic Healthcare Limited Employee Option Plan options

A total of 982,500 ordinary shares of Sonic were issued during the year ended 30 June 2013 under the Sonic Healthcare Limited Employee Option Plan. 1,453,875 options have been exercised since that date, but prior to the date of this report, resulting in the issue of 1,453,875 ordinary shares. The amounts paid on issue of those shares were:

Number of Options	Issue price (per share)
140,000	\$13.00
50,000	\$13.76
3,000	\$12.84
85,000	\$13.20
372,000	\$13.22
28,000	\$13.53
74,000	\$13.03
27,000	\$13.21
53,000	\$13.93
12,000	\$13.26
30,000	\$13.65
4,000	\$14.36
63,000	\$14.11
41,500	\$14.10
10,000	\$14.47
87,500	\$15.67
225,000	\$11.10
1,079,375	\$16.06
52,000	\$15.70
2,436,375	

Notes to the Consolidated Concise Financial Statements

Note 7 Share options (continued)

(b) Shares issued on the exercise of options up to the date of this report (continued)

(ii) Executive Incentive Plan options

A total of 1,540,000 ordinary shares were issued during the year ended 30 June 2013 on the exercise of Executive Incentive Plan options. The amounts paid on issue of those shares were \$13.07 per share. A further 1,540,000 options were exercised since that date, but prior to the date of this report, resulting in the issue of 1,540,000 ordinary shares. The amounts paid on issue of those shares were \$15.41 per share.

(iii) Clinical Pathology Laboratories, Inc. (CPL)

A total of 300,000 ordinary shares were issued during the year ended 30 June 2013 on the exercise of options granted as part of the CPL acquisition. The amounts paid on issue of those shares were \$13.10 per share.

(iv) Labor 28 Group

A total of 500,000 ordinary shares were issued during the year ended 30 June 2013 on the exercise of options granted as part of the Labor 28 acquisition. The amounts paid on issue of those shares were \$13.30 per share.

No amounts are unpaid on any of these shares.

(c) Options granted to officers

During the year nil options were issued to the five highest remunerated officers of the Company and the Group who are not already disclosed as key management personnel.

Note 8 Events occurring after reporting date

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

The Directors declare that in their opinion, the Concise Financial Report of the Group for the year ended 30 June 2013 as set out on pages 51 to 66 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The Concise Financial Report is an extract from the full Financial Report for the year ended 30 June 2013. The financial statements and specific disclosures included in the Concise Financial Report have been derived from the full Financial Report.

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full Financial Report, which is available on request.

This declaration is made in accordance with a resolution of the Directors.



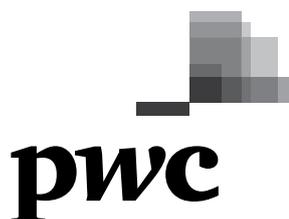
Dr C.S. Goldschmidt
Director



C.D. Wilks
Director

Sydney
25 September 2013

Independent Auditor's Report to the Members of Sonic Healthcare Limited



Report on the Concise Financial Report

We have audited the accompanying Concise Financial Report of Sonic Healthcare Limited (the Company) which comprises the Balance Sheet as at 30 June 2013, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended and related notes, derived from the audited Financial Report of the Company for the year ended 30 June 2013 for both Sonic Healthcare Limited and the Sonic Healthcare Group (the consolidated entity). The Concise Financial Report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the Concise Financial Report is not a substitute for reading the audited Financial Report.

Directors' responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the Concise Financial Report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the *Corporations Act 2001*, and for such internal control as the Directors determine are necessary to enable the preparation of the Concise Financial Report.

Auditor's responsibility

Our responsibility is to express an opinion on the Concise Financial Report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the Financial Report of the consolidated entity for the year ended 30 June 2013. We expressed an unmodified audit opinion on that Financial Report in our report dated 25 September 2013. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Concise Financial Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Concise Financial Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Concise Financial Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Our procedures include testing that the information in the Concise Financial Report is derived from, and is consistent with, the Financial Report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the Financial Report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the Concise Financial Report complies with AASB 1039 Concise Financial Reports.

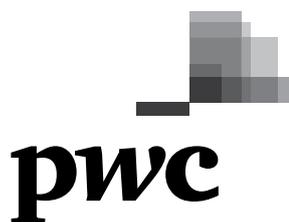
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

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Independent Auditor's Report to the Members of Sonic Healthcare Limited



Independent Auditor's Report to the Members of Sonic Healthcare Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the Concise Financial Report of the consolidated entity for the year ended 30 June 2013 complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

Report on the Remuneration Report

The following paragraphs are copied from our report on the Remuneration Report for the year ended 30 June 2013.

We have audited the Remuneration Report included in pages 31 to 39 of the Directors' Report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Sonic Healthcare Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, script font.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Matthew Lunn' in a cursive, script font.

Matthew Lunn
Partner

Sydney
25 September 2013

Shareholders' Information

1. Information relating to shareholders

(a) Distribution schedule as at 16 September 2013

	No. of holders ordinary shares
1 – 1,000	20,178
1,001 – 5,000	17,863
5,001 – 10,000	1,557
10,001 – 100,000	773
100,001 and over	111
	40,482
Voting rights	
– on a show of hands	1/member
– on a poll	1/share
Percentage of total shares held by the twenty largest registered holders	74.63%
Number of holders holding less than a marketable parcel	533

(b) Substantial shareholders as at 16 September 2013

The Company has received substantial shareholding notices to 16 September 2013 in respect of the following holdings:

	No. of securities	Percentage held
The Capital Group Companies, Inc.	47,319,420	11.83%
The members of the Veritas Group	32,185,970	8.04%

Shareholders' Information

1. Information relating to shareholders (continued)

(c) Names of the twenty largest registered holders of equity securities as at 16 September 2013

	No. of securities	Percentage held
HSBC Custody Nominees (Australia) Limited	95,197,643	23.79%
J P Morgan Nominees Australia Limited	90,492,062	22.61%
National Nominees Limited	40,273,755	10.06%
Citicorp Nominees Pty Limited	17,337,914	4.33%
Jardvan Pty Ltd	15,958,704	3.99%
JP Morgan Nominees Australia Limited <Cash Income A/C>	6,691,387	1.67%
BNP Paribas Noms Pty Ltd <DRP>	6,100,251	1.52%
Polly Pty Ltd <A/C Patterson Family>	3,816,646	0.95%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,165,621	0.79%
HSBC Custody Nominees (Australia) Limited <NT-Comnwth Super Corp A/C>	2,554,755	0.64%
Argo Investments Limited	2,474,483	0.62%
RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	2,377,303	0.59%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,019,298	0.50%
Goodoil Investments Pty Ltd <Timothy Roberts Invest A/C>	1,973,717	0.49%
CS Fourth Nominees Pty Ltd	1,631,483	0.41%
AMP Life Limited	1,594,577	0.40%
Quintal Pty Ltd <Harken Family A/C>	1,521,138	0.38%
Australian Foundation Investment Company Limited	1,475,000	0.37%
Questor Financial Services Limited <TPS RF A/C>	1,210,974	0.30%
Dr Anthony John Clarke	885,000	0.22%
	298,751,711	74.63%

2. Unquoted equity securities as at 16 September 2013

	No. on issue	No. of holders
Options over unissued ordinary shares	8,130,571	34
Performance rights	472,440	2

Shareholders' Information

3. Share Registry

Computershare Investor Services Pty Limited

Registered address: Level 5, 115 Grenfell Street, Adelaide, SA 5000
Postal address: GPO Box 1903, Adelaide, SA 5001

Enquiries within Australia: 1300 556 161
Fax within Australia: 1300 534 987
Enquiries outside Australia: +61 3 9415 4000
Fax outside Australia: +61 3 9473 2408
Email: www.investorcentre.com/contact

Shareholders with enquiries should email, telephone or write to the Share Registry.

Separate shareholdings may be consolidated by advising the Share Registry in writing or by completing a Request to Consolidate Holdings form which can be found online at the above website.

Shareholders who are issuer sponsored holders should notify the Share Registry of a change of address without delay. Shareholders who are broker sponsored on the CHESS sub-register must notify their sponsoring broker of a change of address.

Direct payment of dividends into a nominated account may be arranged with the Share Registry. Shareholders are encouraged to use this option by completing a payment instruction form online or advising the Share Registry in writing with particulars.

The Annual Report is produced for your information. However, should you receive more than one or wish to be removed from the mailing list for the Annual Report, please advise the Share Registry. You will continue to receive any Notices of Meetings and Proxy Forms.

Supporting the environment through electronic communication

Sonic Healthcare Limited is a participating member of eTree and is proud to support this environmental scheme encouraging security holders to register to access all their communications electronically. Our partnership with eTree is an ongoing commitment to driving sustainable initiatives that help security holders contribute to a greener future.

For every email address registered at www.eTree.com.au/sonichealthcare, a donation of \$1 is made to Landcare Australia. With your support of the eTree project and other electronic communication channels, Sonic Healthcare has significantly decreased its shareholder communication print production. Only about 5% of Sonic's shareholders still request a hard copy Annual Report, and over 26% of shareholders receive communications electronically. The result is a reduction in energy and water resources associated with paper production, and in conjunction with Landcare Australia, thousands of new trees being planted in reforestation projects around Australia and New Zealand.

We also encourage you to visit eTree if your email address has changed and you need to update it. For every updated registration, 50 cents will be donated to Landcare Australia. To register, you will need your Security Holder Reference Number (SRN) or Holder Identification Number (HIN).

4. Annual General Meeting

The Annual General Meeting will be held in Ballroom 1 at the Four Seasons Hotel, 199 George Street, Sydney at 10.00am on Thursday 21 November 2013.